FINANCIAL TIMES

Bank lending
Sowing the seeds of trouble
Page 13

Fokker
Flagship in trouble
Page 12

Today's surveys
International Standards
North-East England
Separate sections

TOMORROW'S **Weekend FT**
From the Milan catwalk

World Business Newspaper FRIDAY OCTOBER 13 1995 D8523A

GE Capital launches $1.5bn friendly bid for French group

General Electric Capital, the US-based financial services arm of General Electric, launched a friendly FFr7.7bn ($1.5bn) takeover bid for Sovac, a French specialist financing group, as part of its strategy of expansion into the country. GE Capital has offered FFr610 a share in cash for 12.6bn Sovac shares in the latest in a string of deals across Europe by GE Capital. Page 15

UK chancellor signals tax cuts in next Budget

UK chancellor Kenneth Clarke sent a strong signal there would be substantial tax cuts in next month's Budget and in subsequent years. But his hints on tax came amid signs that the economic background to the budget is deteriorating. Page 14; A lead or lose choice, Page 12; Editorial Comment, Page 13; Lex, Page 14;

Japan admits Daiwa reporting delay

Japan's finance ministry acknowledged for the first time weaknesses in its response to the discovery of huge losses at Daiwa Bank's New York branch two months ago. Finance minister Masayoshi Takemura (left) told Robert Rubin, US treasury secretary, that a partial failure of communication on the Japanese side had been responsible for the delay in reporting the $1.1bn trading losses and he promised lines of communication would be improved. Page 14

J. P. Morgan's transformation into an investment bank took a further step in the last quarter with an 81 per cent advance in corporate finance income. Page 15

Mazda looks for the fast track: After three years of falling sales and two-consecutive years of losses, Mazda, one of Japan's five big car makers, has suffered a further setback with demand for its cars at home and abroad declining sharply. Page 17

Jordan and Israel sign bromine project: Jordan's Arab Potash Corporation and Israel's Dead Sea Bromine have signed a memorandum of understanding to form a $50m bromine project, the first major Israeli-Jordanian joint venture since the two countries signed peace accords one year ago. Page 4

ANC call to end de Klerk security role: The African National Congress called for the removal of F. W. de Klerk, deputy president and leader of the National party, from chairmanship of a key cabinet committee, sharpening political divisions in South Africa before local elections on November 1. Page 5

Japanese deal clouds new computer rules: The cheering of US computer manufacturers following liberalisation of export controls has become more muted as implications of a US-Japan accord on computer sales has emerged as a possible stumbling block. Page 4

US probes contract bribery: The US government has learned of almost 100 cases of bribery being paid by foreign firms to secure international contracts worth $45bn, according to commerce secretary Ron Brown. Page 4

Former Cummins chief moves to AT&T: The US telephone group AT&T, which last month announced it was demerging its telephone equipment business, has appointed as its chairman and chief executive Henry Schacht, 60, former head of Cummins Engine Company. Page 18

Blockbuster becomes single entity: US entertainments group Blockbuster Entertainment is combining its worldwide music and video operations into a single entity and two top executives are leaving. Page 18

Strike ballot at GM offshoot: A strike ballot will be held among Vauxhall's 9,000 manual workers in the UK over the next five weeks after union negotiators rejected a two-year wage offer from General Motors subsidiary. Page 9

Writedown drags Alcan into deficit: Alcan Aluminium more than doubled third-quarter net income to $143m and saw its quarterly revenues edge ahead to $2.3bn from $2.2bn. Page 18

Incentives for N Sea oil terminal deal: The local authority of the Shetland Islands, off the north of Scotland, offered further substantial reductions on the sums it levies on oil companies for using the Sullom Voe terminal, provided they agree to keep the terminal open after 2000. Page 9

Austrian government falls after budget impasse

$1.8bn sale of holding in second largest bank suspended

By Eric Frey in Vienna and Ian Rodger in Zurich

Austria's coalition government collapsed yesterday after weeks of fruitless budget negotiations, plunging the country into its second general election campaign in little more than a year.

The immediate consequence was a decision by the finance ministry to suspend its international sale of the government's 70 per cent stake in Creditanstalt-Bankverein, the country's second largest bank.

Mr Andreas Staribacher, finance minister, said the offer had to be stopped and gave no indication of when or if it would be reopened. The government had hoped to raise up to Sch18bn ($1.8bn) from the sale.

The deadline for bids was last Monday, but the ministry has not said how many were received. Viennese bankers said bidders were put off by the budget row and the related slide in the Vienna stock market.

Recent opinion polls suggest that forming a new government after the elections, expected to take place on December 17, will not be easy. The two ruling parties, the Social Democratic party and the conservative Austrian People's party, each have the support of about 30 per cent of the voters. The rightwing Freedom party, led by the populist Mr Jörg Haider, has about 25 per cent backing, according to the latest polls.

Mr Haider, who has fought hard to break the coalition and the so-called social partnership of organised management and labour that backs it, welcomed its end. "They have acted like a bunch of amateurs," he said of the two ruling parties.

The government's annual budget negotiations were stalled this year by the demands of the People's party, the junior partner in the coalition, for heavy spending cuts and structural changes in the system of social benefits. These proposals were repeatedly rebuffed by the Social Democrats.

Late on Wednesday night, Mr Wolfgang Schüssel, the People's party chairman and vice-chancellor, announced the collapse of the talks. "A partnership that cannot agree on a budget is not a partnership," he said.

Mr Franz Vranitzky, the Social Democrat leader and chancellor, reluctantly agreed to the dissolution of parliament.

The Vienna stock market ATX index of leading shares dropped 2.8 per cent on the news. Currency dealers reported some selling pressure on the schilling early in the morning, but no movement in the exchange rate, which is pegged to the D-mark, is expected.

According to an opinion poll last week, the Social Democratic party would get between 31 per cent and 32 per cent of the vote now, down from 35 per cent at the last elections, the People's party between 28 per cent and 29 per cent, up from 27 per cent, and the Freedom party between 24 per cent and 25 per cent, up from 22.5 per cent.

Record profit rise at Texas Instruments lifts stocks

By Louise Kehoe in San Francisco

Texas Instruments, the US semiconductor and electronics manufacturer, yesterday beat expectations with record third-quarter revenues and profits.

The results bolstered confidence in US high-technology stocks and dispelled concerns about a predicted softening in the market for memory chips.

TI increased estimates, saying it expected the world semiconductor market to grow by about 40 per cent this year. The company, the largest US producer of dynamic random access memory (Dram) chips, said prices remained stable and demand was strong. Orders and revenues for Drams reached record levels during the quarter.

TI said a survey of customers showed semiconductor inventories were at record low levels during the quarter, promising strong demand.

TI reported net revenues for the third quarter of $3.4bn, up 33 per cent from $2.6bn in the same period last year. This was due primarily to strong growth in semiconductor revenues. Profits from operations jumped 50 per cent, to $437m, from $291m in the third quarter of 1994. Net income was $289m, compared with $186m.

Earnings per share, after the effect of a previously announced two-for-one stock split, were $1.48, up 53 per cent from 97 cents. Wall Street had predicted earnings of about $1.46.

Semiconductor revenues and operating profits rose sharply and broke records. Growth in orders was driven primarily by computer and telecommunications equipment manufacturers.

Orders for digital signal processors (DSPs), and related devices used in multimedia personal computers and other applications, were exceptionally strong, the company said.

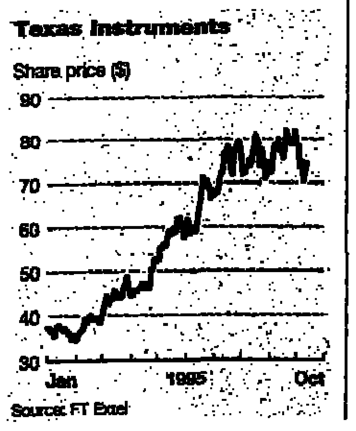
To meet increased demand, TI is switching some production lines from standard memory chips to this mixed signal category of products. Most semiconductor capital expenditures in 1995 would be aimed at expanding DSP production, it said.

TI is expanding production in Singapore, Taiwan and Japan. Capital expenditures in 1995 are now expected to reach $1.45bn.

Sales of "personal productivity products", primarily notebook PCs, were flat and the division made a loss for the quarter.

Wall Street, Page 38

Texas Instruments



Source: FT Extel

Nato secretary-general Willy Claes answers questions from journalists in Brussels yesterday. He vowed to fight corruption charges which have been levelled against him, saying that he was innocent. Report, Page 2 Picture: Reuters

UK regulator to monitor Salomon unit after losses

By Norma Cohen, Investments Correspondent

Salomon Brothers International, UK-based arm of the US investment bank, has been disciplined by securities regulators for weaknesses in internal controls that led to the failure to uncover more than $800m in losses – mostly sustained in the London operation – for several years.

The Securities and Futures Authority, the self-regulator for the industry, said yesterday that for the next year Salomon's UK arm must operate under "special conditions" with its accounts subject to close scrutiny.

It is the first time the SFA has set such conditions on any UK securities firm, but three or four other securities houses are under investigation for similar rule breaches.

Mr Alan King, SFA operations director, said although no losses were incurred by customers, the move highlighted the concern among regulators over the ability of firms to measure, monitor and control risks they take.

"This goes to the heart of the ability to control risks," he said. "It underscores the need to ensure proper reconciliation of accounts."

Salomon will have to submit special monthly reports to regulators designed to highlight any possible discrepancies in the reconciliation of general ledger accounts. The SFA said Salomon had breached a regulatory principle requiring it to organise and control its internal affairs in a responsible manner.

In 1994, Salomon Brothers, the US parent, took $278m in pre-tax charges against profits to cover losses disguised by accounting errors over several years. The SFA said it had been notified by Salomon Brothers International in a timely fashion about the accounting errors and "is satisfied that it is now in compliance with principles and rules."

Salomon said that it viewed the SFA action as an endorsement of all the steps the firm had taken to get its accounting and control systems in order. "This is good news," said Mr Lee Bruce, its spokesman. "The SFA are saying 'You have done the right things. You have solved the problem.'"

The action does not remove the possiblity that Salomon Brothers, whose main regulator is the US Securities and Exchange Commission, could face further disciplinary action.

"When we disclosed the unreconciled balances issue we expected that it would be of interest to our regulators. We don't know how other regulators will view the issue," Mr Bruce said.

Page 34
■ Salomon Brothers' view of the London market

US and UK resist expansion moves by Russian banks

Fed and Bank of England concerned about standards

By Nicholas Denton in London and Chrystia Freeland in Moscow

The Bank of England and the US Federal Reserve are trying to limit the activities of a growing number of Russian banks seeking to operate in London and New York.

The issue has pitted UK and US supervisors' determination to maintain banking standards against the international ambitions of some of Russia's most powerful institutions.

The supervisors are concerned about the instability of the Russian banking system, the immaturity of the central bank and banking supervision, the haphazard financial accounts of Russian banks, their typically weak capital bases and some banks' alleged links with organised crime.

Several dozen Russian banks, understood to have sought authorisation for branches or subsidiaries in London, have been advised by the Bank of England not to make a formal application. Instead, it has encouraged them to set up representative offices, which are not allowed to take deposits or engage in other banking activities.

Seven Russian banks, including Alfa Bank, Elbim Bank, Most-Bank and Lefortovsky Bank, have established representative offices in London. Another four have notified the UK authorities of their intention to do so.

Moscow financiers claim the Fed has also rebuffed them by demanding records of business going back 20 years. Russia's commercial banks, typically formed after the collapse of the Soviet Union in 1991, cannot comply. Mr Vladimir Vinogradov, president of Inkombank, one of the largest commercial banks, said: "We met with the apparatchiks of the Federal Reserve and they said 'you will never even open a representative office here.'"

In the run-up to December's parliamentary elections, some Russian financiers and politicians have claimed the west is shutting out Russian financial institutions to stop them emerging as rivals.

On last month's visit to the US, Mr Andrei Kozyrev, Russia's foreign minister, pressed Mr Warren Christopher, US secretary of state, to grant banking licences.

Mr Nicholas Burns, State Department spokesman, said: "We would like all banks to be licensed but they have to meet the requirements of US law."

The Bank of England said it looked at all applications on "an equal footing", but its caution has been reinforced in the last month by an in-house paper reporting on the paralysis in August of the Russian interbank lending market. Lefortovsky Bank, whose defaults on payments helped trigger the liquidity crisis, established a London representative office in July.

The only Russian bank with a licence to operate in London is not one of the new breed of private banks. Moscow Narodny Bank, the international banking arm of the now-defunct Soviet Union, has operated in London since 1919.

Although banks are among the most powerful institutions in post-communist Russia, they operate in an environment which is a world away from the City of London or Wall Street.

The recent rash of professional assassinations of senior bankers and businessmen is the most visible expression of the brutality of the fledgling market economy. The banks also tend to be closely linked with political figures, which can make them prey to the vicissitudes of Russian politics.

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	4,744.28	(+9.03)
NASDAQ Composite	1,011.85	(+10.28)
Europe and Far East		
CAC40	1,803.75	(+9.32)
DAX	2,158.12	(+12.82)
FT-SE 100	3,523.8	(+49.5)
Nikkei	17,971.40	(+80.21)

■ US LUNCHTIME RATES

Federal Funds	5 13/16%
3-mth Treas Bills: Yld	5.441%
Long Bond	106 3/32
Yield	6.409%

■ OTHER RATES

UK: 3-mo interbank	6 17/32%	(6 25/32%)
UK: 10 yr Gilt	102 11/32	(102 5/16)
France: 10 yr OAT	101.38	(101.36)
Germany: 10 yr Bund	101.78	(101.83)
Japan: 10 yr JGB	113.374	(113.053)

■ NORTH SEA OIL (Argus)

Brent 15-day (Nov)	$15.91	(16.07)

■ GOLD

New York: Comex		
(Dec)	$387.0	(387.4)
London:		
close	$384.5	(384.85)

■ DOLLAR

New York: lunchtime		
£	1.5765	
DM	1.41895	
FFr	4.9452	
SFr	1.1498	
Y	100.11	
London:		
£	1.5724	(1.5731)
DM	1.4223	(1.4249)
FFr	4.9523	(4.9695)
SFr	1.1541	(1.1553)
Y	100.245	(100.855)

■ STERLING

DM	2.2364	(2.2415)
Tokyo close:	Y 101.25	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$20	Morocco	MDh15	S.Arabia	SR11		
Belgium	BFr70	Hungary	Ft215	Neth	Fl 4.25	Singapore	S$4.30		
Bulgaria	Lw110.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	Sk60		
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00		
Czech Rp	Kc55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta250		
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17		
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60		
Estonia	Ekr 20	Jordan	JD1.50	Poland	Zl 4.20	Syria	S£50.00		
Finland	FM15	Kuwait	Fils.625	Portugal (m'land)	Es230	Tunisia	Din1.500		
France	FFr11.00	Lebanon	US$1.50			Turkey	L60,000		
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00		

CONTENTS

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · NEW YORK · LOS ANGELES · TOKYO

Monetary union will not work without a 'European economic government'

Delors calls for a 'political roof' for Emu

By Lionel Barber in Brussels

Mr Jacques Delors has re-ignited the debate over monetary union in Europe with a warning that the project will not work unless accompanied by a parallel "European economic government".

In his first big speech since stepping down as president of the European Commission, Mr Delors said the power of the future independent European central bank must be counterbalanced by new political arrangements covering a common fiscal and social policy.

Mr Delors' remarks are likely to confirm the fears of Tory Eurosceptics in Britain that monetary union means a *de facto* political union in Europe, though they echo thinking elsewhere in Europe.

Mr Alexandre Lamfalussy, president of the European Monetary Institute charged with preparing the introduction of the single currency, called for closer economic co-ordination among Emu participants last month. Chancellor Helmut Kohl's ruling Christian Democrat coalition in Germany has long held that monetary and political union go hand in hand.

In his speech at the Centre for European Policy Studies in Brussels on Wednesday evening, where he received the Adolphe Bentinck prize, Mr Delors said he was optimistic about monetary union being achieved by 1999.

Despite the recent turbulence in the currency markets, doubts about France's ability to meet the Maastricht treaty's convergence targets, and fragile public opinion in Germany, Mr Delors said Emu's credibility remained strong.

Mr Delors staked out his case for a new "economic government" with a proposal that finance ministers and the European Commission put forward plans for a co-ordinated social and economic policy to the European Council, the forum used for meetings of the 15 EU heads of government.

It was vital to introduce a counterweight to the central bank which would have sole charge of monetary policy. "You will not have Emu without a political roof," he said.

In 1991, during Maastricht treaty negotiations, Mr Delors put forward similar ideas, only to be rebuffed by Germany. The Bundesbank was worried that a future European central bank committed to price stability could face political interference from EU heads of government.

This week, Mr Roman Herzog, president of Germany, put the case for Emu in a more positive light with a powerful plea for monetary union. Dropping the reservations voiced by many German politicians, Mr Herzog suggested that there was a conflict between German savers looking for an overvalued currency while exporters and producers tended to prefer a soft or undervalued currency.

Without Emu, Europe risked being thrown back into the 1930s, with competitive devaluation of currencies, trade wars, protectionism, the renationalisation of economic policy, and deflation if not depression, Mr Herzog told MEPs in Strasbourg.

MPs unite to deepen Franco-German relationship

By Peter Norman in Bonn

German supporters of greater European integration have gone on the offensive to combat worries about the future of Franco-German relations, and about replacement of the D-Mark with a single European currency.

Yesterday the "France working group", a forum of parliamentarians from the Christian Democrat and Christian Social parties of Chancellor Helmut Kohl's governing coalition, set up this week with the aim of moving Franco-German relations to a "qualitatively new level", held a first meeting in Bonn with MPs from the French RPR party. The two sides reaffirmed their commitment to Emu, the Maastricht criteria and the timetable for the single currency.

The day before, an ambitious manifesto advocating further big steps towards integration in the European Union, agreed by pro-European politicians from the left, right and centre of the political spectrum in both France and Germany, was published in Germany's Frankfurter Allgemeine Zeitung newspaper. It also appeared in today's French newspaper Le Monde.

Over the past week, both President Roman Herzog and Mr Kohl have made strong pronouncements in favour of greater integration. Mr Kohl promised to devote his "entire personal and political existence" to the cause, in an interview with the Süddeutsche Zeitung.

"We will make the process of unifying Europe irreversible in the next two years or so," he said.

The drive to greater European integration will be one of the key issues at next week's annual CDU party congress in Karlsruhe. It will also be one of the least controversial.

This accumulation of initiatives and statements in favour of a deeper EU follows a period of drift in which critics of Emu and the planned demise of the D-Mark, in particular, appeared to be gaining greater access to the German news media.

The formation of the CDU/CSU working group on German-French relations is a clear attempt by a group of convinced "federal" MPs, headed by the CDU's Mr Karl Lamers, to offset widespread uncertainty among Germany's political elite about France's future course since President Jacques Chirac took over from Mr François Mitterrand.

In spite of scarcely concealed distaste among German policymakers for France's nuclear test programme, the Lamers group will seek to "build up, expand, deepen and systematise" Franco-German contacts at all levels, with particular emphasis on developing a joint foreign and security policy for the EU and a self-supporting European arms industry.

These initiatives are moving ahead of the Bonn government, which is currently delaying final decisions on its approach to next year's EU intergovernmental conference until after the "reflection group" of member states' senior foreign ministry officials has reported on prospects for the conference at the end of this year.

However, it is clear that Germany wants to tackle the IGC through an agreed policy with France.

While the Bonn government hopes the IGC will be able to advance integration in areas neglected in the Maastricht Treaty and close to the heart of Mr Kohl, it is conscious that there are dangers in terms of domestic politics.

French economic growth slows in third quarter

By David Buchan in Paris

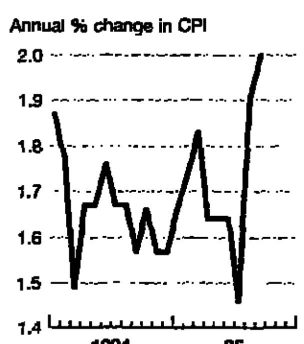
Growth in the French economy slowed further in the third quarter of this year, leading Insee, the government statistics agency, to lower its 1995 growth forecast from 3.1 per cent to 2.9 per cent.

The Insee report implicitly underlined the need for the government to cut spending, rather than rely on tax receipts, to close the public deficit.

The figures were published as the National Assembly's finance committee adopted a budget amendment to reduce the government's targeted 1996 deficit of FFr290bn ($57bn) by a further FFr4bn. In a matching gesture, Mr François d'Aubert, the budget minister, said the government would buy only two-thirds of the 10,000 cars (worth FFr800m) it normally buys each year.

After the legal reprieve Mr Alain Juppé, the prime minister, won on Wednesday over his Paris flat, MPs – even members of the Socialist opposition – seemed almost relieved to refocus on pressing budget business rather deal with the crisis a Juppé resignation would have caused.

French inflation



There was widespread press criticism yesterday of the legal ruling that Mr Juppé is to be spared prosecution if he quits the controversial city-owned apartment he awarded himself in 1990, when he was deputy mayor of Paris. But Mr Laurent Fabius, Socialist leader, said: "The political debate should focus on the country's essential problems."

At its regular fortnightly meeting, the monetary policy committee of the Bank of France yesterday left interest rates at the level to which it had raised them on Monday, when it stemmed the slide in the franc caused by financial market doubts about Mr Juppé's policies, compounded by his personal problems.

The government has said it hoped that Monday's interest rate rise would be of "very short duration", a wish that will be reinforced by yesterday's Insee report.

The agency is not forecasting slower average growth for 1995 than is the government, but its comments that the rate of expansion has steadily slowed this year jar with the government's hope for 2.8 per cent average growth next year. Insee forecast that the annual pace of growth in the economy, which was 3 per cent at mid-year, would be "close to 2.5 per cent by the end of this year".

The prime minister now has to try to rebuild his image and regain momentum for his policies, which he will seek to do at this Sunday's rally of his Gaullist RPR party. The rally is due to endorse him as full president of the party, for which he is the only candidate.

On the way out: Austrian People's party leader Wolfgang Schüssel, with party parliamentary chairman Andreas Khol behind him, heads through a door marked "exit" for a news conference. The government collapsed yesterday after weeks of budget negotiations. The People's party is level with its coalition partner, the Social Democratic party, in the polls. End of era, Page 13 Picture: Reuter

Jailed financier goes home in time for dinner

Conde not blackmailing us, says González

By Tom Burns in Madrid

Mr Mario Conde, the disgraced Spanish financier, is being widely depicted as a nemesis pursuing the Socialist government of Mr Felipe González in revenge for a decision by the Bank of Spain in December 1993 that ousted him as chairman of Banco Español de Crédito (Banesto) and led to serious fraud charges against him.

A succession of newspaper reports has linked the 47-year-old self-made multi-millionaire to the publication of secret service documents, some of them concerning dirty war strategies against Basque terrorists, that have rocked the government's credibility. The government has denied allegations that it is being blackmailed by Mr Conde to drop the fraud investigations.

On Wednesday the plot thickened when a judge had Mr Conde arrested and committed unconditionally to jail but then released him in time to return home for dinner.

The incident served to confirm the public perception that Mr Conde's influence is such that he is able to write his own agenda with certain judges and, if he has his way, that he will be able to do the same with certain politicians as well.

The arrest and release sequence concerned a judicial inquiry into Pta600m ($5m) paid by a Banesto unit in 1990 into an offshore company allegedly controlled by Mr Conde. By the standards of the Banesto debacle this is a relatively minor charge, for Mr Conde is accused, in the main proceedings brought against him, of fraud totalling Pta7bn.

No public trial date has been set to hear the fraud allegations levelled against Mr Conde. In addition to the complexity of the case, the prosecution is further complicated by squabbles among judges who claim jurisdiction over the ramifications of Banesto's collapse two years ago.

The remand decision was considered odd because Mr Conde, having already spent more than a month in prison at the beginning of this year while under investigation on the main fraud charge, is on bail of Pta2bn, the highest ever set in Spain.

The influential El País said the jail order served on Mr Conde on Wednesday was "absolutely out of proportion" and the decision to release him was "incomprehensible". The newspaper reported that Mr Conde had implicated Socialist politicians in a statement he made to the judge and said there were reasons to suspect that the chain of events had nothing to do with the due process of the law.

The conservative newspaper ABC explained the erratic proceedings differently. It reported that the detention order was dropped at the suggestion of the public prosecutor and that Mr Conde's latest brush with the law had amounted to a warning from the government.

The government must be growing impatient with the man who was once feted as the paradigm of domestic business confidence in the late 1980s. The long hand and deep pocket of Mr Conde has seemingly surfaced in each and every embarrassment that has over the past two years afflicted Mr González's administration.

An associate of Mr Conde, Colonel Juan Perote, a former high ranking intelligence officer, is in prison awaiting trial on charges of stealing state secrets. El País alleged this week that the financier had also paid Pta100m to Mr Luis Roldán, the former chief of the Civil Guard security force arrested in March on embezzlement charges.

The prime minister is under pressure to explain why he met Mr Conde's lawyer in his official residence last June. Mr González has strenuously denied that the government is being blackmailed by Mr Conde but he has admitted that he discussed the theft in 1991 of secret service documents with Mr Conde's lawyer.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
GERMANY:
Responsible for Advertising: Colin A. Kennard. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297 0621. Fax (01) 4297 0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
F

Moldova strives for stability on all fronts

Small central European country is seen as model of post-communist reform, writes John Thornhill

The fact that Moldova's traffic police have jettisoned their drab Soviet-style uniforms and now sport leather jackets and black cowboy hats is testimony to the small central European country's desire to reassert its individuality.

The culture, language, and traditions of this country of 4.3m people, landlocked between Ukraine and Romania, set it apart from most former Soviet states.

And so it is with its political and economic policies.

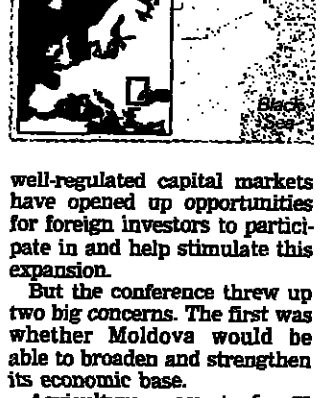
Moldova has charted a courageously independent course since breaking away from the Soviet Union in 1991. Indeed, the World Bank and the Council of Europe have hailed the wine-rich region as a model of post-communist economic and political reform.

The implementation of a multi-party democracy and a painful economic stabilisation programme, which has cut monthly inflation from 230 per cent in 1993 to less than 1 per cent this year, are impressive achievements for a state with few traditions of independent government.

"Moldova's certainly been a success in achieving economic stabilisation," says a senior official of the World Bank. "But we now have to see some FDI [foreign direct investment] over the next 12 months to be confident the process has taken hold. They'll have difficulty sustaining their commitment unless the people see some returns from the reform process."

Last month, conscious of this shortcoming, Moldova held a conference for foreign investors, inviting company representatives from 25 countries to the capital, Chisinau.

Independent forecasts suggest Moldova's economic virtue will be rewarded by a 1.5 per cent growth in gross domestic product this year and as much as 6 per cent next year. A "fast and clean" privatisation programme and the creation of well-regulated capital markets have opened up opportunities for foreign investors to participate in and help stimulate this expansion.



But the conference threw up two big concerns. The first was whether Moldova would be able to broaden and strengthen its economic base.

Agriculture accounts for 70 per cent of GDP since the collapse of the region's industrial output and Moldova may struggle to upgrade its output quickly enough to progress in a competitive world economy.

Some potential investors doubted whether it was worth investing in a country with the consumer purchasing power of a small US city. Others also observed that the liberal rhetoric was not always borne out in practice, citing fierce intra-governmental battles that stalled the privatisation of the tobacco industry.

What Moldova does have is many skilled workers, trained in the now stricken high-tech defence plants, who on average earn the equivalent of $35 a month. It also lies on an important trade artery near the mouth of the Danube river and the port of Odessa.

"If we have political stability then economic growth is guaranteed," says Mr Anatol Gudim, deputy economics minister.

Some 450 joint ventures have been formed – although they have yielded only $25m of investments to date. "The international financial institutions have done their work. It is now up to the private sector," says Mr Scott Carlson, president of the Western NIS Enterprise Fund, which is looking to invest $150m in Moldova, Ukraine and Belarus.

But such interest may only fully bear fruit if Moldova meets its second chief challenge: settling the dispute over the Trans-Dnestr region. Soon after Moldova declared independence the republic descended into civil war as the 700,000 mainly Russian-speaking population on the left bank of the Dnestr river rebelled, fearing Moldova might re-unite with Romania. Hundreds were killed in the clashes and an uneasy face-off continues.

Pepsi-and-Playboy capitalism is beginning to colour the streets of Trans-Dnestr but the capital city of Tiraspol still feels like the old Soviet Union and is markedly less prosperous than Chisinau.

President Mircea Snegur suggests the region, which contained almost 40 per cent of Moldova's industry, will feel Moldova's economic pull and will be re-assimilated. He points to the concessions made to the Turkic-speaking Gagauz minority in the south as evidence of how far Moldova will tolerate regional autonomy. Moreover, Moldova's desire to re-integrate with Romania has all but evaporated, easing concerns in Tiraspol.

In spite of the gradual withdrawal of Russian peacekeeping troops from Trans-Dnestr, however, the enclave's leaders hope that a more nationalist-minded Moscow may soon offer greater support – especially if General Alexander Lebed, the charismatic Russian general who helped restore peace to the region, should succeed in his political ambitions.

EUROPEAN NEWS DIGEST

Fiat suffers in haulage strike

A strike by small Italian road hauliers is leading to the progressive paralysis of Fiat's automotive production. As of today Fiat will have laid off 19,000 of its 85,000 workforce in its car plants because of blocked deliveries of finished vehicles and delays in the arrival of raw materials.

The strike, which began on Monday affecting only one of Fiat's northern plants, has gradually spread to the main Mirafiori operation in Turin. It also affects the new plant at Melfi in southern Italy. Fiat is not directly involved in the dispute, since its haulage operations are contracted out to some five big transport groups. The bulk of the transport work, however, is in turn sub-contracted to small companies and individuals. These are seeking to have their transport fees raised by 30 per cent.

By hitting at Fiat they hope the Turin-based group will either lean on the main contractors to pay more, or will itself pay more to the contractors to allow higher fees. The truck owners have called on the government to intervene.

The government was, meanwhile, trying to resolve the six-week-old industrial action by Italy's air traffic controllers that continues to cause serious delays in air transport. Further havoc will be caused today by a four-hour strike by Alitalia cabin staff to protest against the company's restructuring plans. *Robert Graham, Rome*

Gaidar says reform is at stake

Mr Yegor Gaidar, the former Russian prime minister who ushered in the market economy, yesterday attacked the "alarming delusion" that December's parliamentary elections did not matter and warned that a Communist victory would destroy Russia's economic reforms and threaten a return to Stalinism.

"As one of the architects of Russian reforms, one of those involved in the efforts to make reforms irreversible, I have to assure you, regrettably, that they are fully reversible," he said in a speech denouncing the Communist party, which currently leads the opinion polls. Mr Gaidar, who heads the liberal Democratic Choice of Russia party, said unlike their counterparts in other eastern European countries, Russia's communists were "shifting not from red to pink but from red to brown".

Mr Gaidar's comments appear to be an attempt to jolt apathetic voters. Opinion polls regularly show one-third of voters are likely to abstain in the elections.

An opinion poll carried in the Sevodnya newspaper yesterday suggested the Democratic Choice of Russia party commanded only 3 per cent support. But the electorate is highly fragmented. The communists won the support of only 9 per cent of those polled. *John Thornhill, Moscow*

Russian miners strike to be paid

Russian coal miners in the Kuzbas region went on strike yesterday to demand their wages, which have not been paid for several months.

Just two months before December parliamentary elections, the strike is an unwelcome reminder for the government of the personal hardship created by this year's tough economic policies. Workers in several other regions in Siberia and central Russia staged demonstrated yesterday in support of the miners.

The protests come at a time when the government is considering a radical reform of the chronically loss-making coal sector. This month, a government committee prepared a draft presidential decree calling for the breaking up of the coal industry into regional joint-stock companies which would be at least partially privatised.

Some observers are sceptical about the plan, predicting that the unprofitable coal industry is unlikely to attract serious private investors. *Chrystia Freeland, Moscow*

Graf provokes tax breaks probe

The tax controversy surrounding Steffi Graf, the world's leading woman tennis player, deepened yesterday when the state parliament of Baden-Württemberg created a special committee to investigate whether she received privileged tax treatment.

Creating a special committee may also have serious implications for Mr Gerhard Mayer-Vorfelder, the finance minister in Baden-Württemberg. Opposition politicians have alleged that Mr Mayer-Vorfelder guaranteed special treatment for Ms Graf. During a heated debate in the state parliament in Stuttgart, one Green party deputy alleged that Ms Graf had been treated specially in an effort to ensure that she did not become a tax exile.

Only the Christian Democratic Union, the main party in the ruling coalition and the one to which Mr Mayer-Vorfelder belongs, abstained during the vote in the state parliament. Ms Graf's father and his tax adviser are in custody while tax authorities investigate the case.

Unconfirmed press reports suggest that the Grafs paid only about DM10m ($7m) in tax on income estimated at DM177.4m since 1983. *Michael Lindemann, Bonn*

French directors under fire

Nearly two-thirds of senior French executives believe the widespread business practice of directors sitting on one another's boards poses an ethical problem, according to a survey released yesterday.

Almost four-fifths believe that there are too many examples of this system of reciprocal mandates in France compared with the number in Anglo-Saxon countries, and the same proportion believes that the system will have to change over time. Their responses echo the conclusions in the Viénot report on corporate governance in France which called for a gradual ending of the system.

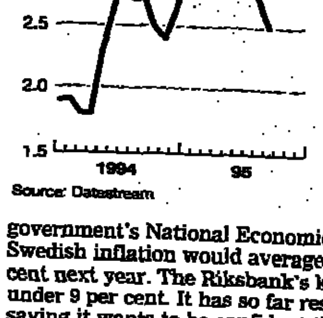
Critics argue that if directors sit on one another's boards and invest in one another's companies, there is a strong conflict of interest. The survey, conducted by the Journal des Finances magazine and Ecocom, a communications consultancy, is among the first to highlight numerically the growing level of criticism in France of the existing system.

It questioned 2,650 people, including chief executives representing 78 per cent of the market capitalisation of the top 120 French quoted companies. *Andrew Jack, Paris*

ECONOMIC WATCH

Swedish inflation falls to 2.5%

Swedish inflation



Sweden's annual inflation rate eased to 2.5 per cent in September, fuelling expectations that the Riksbank might soon move to lower interest rates after the recent strengthening of the krona. Consumer prices rose 0.7 per cent between August and September, lowering inflation from 2.7 per cent in August and keeping the rate well within the central bank's 3 per cent upper limit. The September figures, which were in line with market forecasts, mainly reflected higher clothing and shoe prices. Last week the government's National Economic Research Institute said Swedish inflation would average 2.6 per cent in 1995 and 3 per cent next year. The Riksbank's key lending rate stands at just under 9 per cent. It has so far resisted pressure to cut rates, saying it wants to be confident that inflationary pressures are firmly under control before it relaxes monetary policy.
Christopher Brown-Humes, Stockholm

■ Dutch producer prices were up 0.5 per cent in August from July and up 2.4 per cent from a year earlier.

MEPs back 'royalty' fee on car spares

By Emma Tucker in Strasbourg

The European parliament yesterday backed a controversial proposal that independent makers of car spare parts should pay a licence fee to car companies in return for being allowed to sell parts such as bumpers, windscreens, lights and wing mirrors.

The European Commission yesterday indicated that it was willing to accept the "royalty" proposal – which it had originally rejected – as long as carmakers were given a monopoly over visible spare parts.

The plan forms part of a draft EU law to harmonise legal protection of industrial design. The proposal now goes back to the Commission for further work, then has to be approved by the Council of Ministers.

Campaigners fear the proposal could hinder the growth of the independent market for parts which, while highly developed in the UK, is only beginning to get off the ground in other EU states.

"Spare parts manufacturers make motoring cheaper for ordinary people, provide healthy competition for the vehicle makers and employ a lot of workers," said Ms Christine Oddy, the UK Labour MEP. "There is no justification for restricting spare parts manufacturers, either by a licensing system or an outright ban on copying."

At the moment rules on protecting spare parts differ greatly between EU member states, hindering the development of a single market for these goods.

Spare parts in the UK enjoy no protection, and consumers can buy their parts wherever they like. At the other end of the spectrum, French carmakers enjoy a monopoly on spare parts.

The Commission does not have to accept the parliament's amendments, but it has indicated that it is willing to look again at the licence fee.

"We will consider the amendments very carefully," said Mr Mario Monti, the commissioner responsible for the single market. "In order to find a proper balance concerning the size of the licence fee, we will need to consider all the research carried out."

He added that he did not think the idea was incompatible with the single market.

Representatives of independent dealers have argued that the fee would place independents at a big disadvantage at a time when carmakers already dominate the market for spare parts.

They control at least 88 per cent of the market for car body parts and more than 95 per cent of the market for car body panels, according to ECAR, the European Campaign for the Freedom of the Automotive Parts and Repair Market.

•Mr Rupert Hughes of ECAR said the fee would be a recipe for "endless litigation". "For every part registered for design there would be legal disputes about validity and the amount of royalty, the costs of which in the final analysis would be borne by consumers," he said.

But car manufacturers insist they invest large sums of money in the design of spare parts which they need to recoup. "We are all struggling," said Mr Giorgio Garuzzo, president of ACEA, the European Automobile Manufacturers' Association and also president of Fiat.

According to ECAR, an industry pressure group, car owners spend more than Ecu80bn (£67.3bn) a year on repairs, of which about Ecu40bn is the cost of spare parts.

Claes vows to fight bribe charges

By Caroline Southey in Brussels

Mr Willy Claes, the secretary general of Nato, yesterday vowed to fight corruption charges against him when he appears today before a Belgian parliamentary panel that will decide whether he should be indicted.

"I say of course that I am innocent, that I have never had anything to do with some things which are unacceptable and indefensible," Mr Claes said.

Belgium's highest court last week requested permission from parliament to indict Mr Claes on corruption, forgery and fraud charges in connection with a political scandal involving alleged kickbacks for military contracts. Belgian law stipulates that ministers and former ministers can be prosecuted only with the permission of parliament which must vote to lift immunity.

Mr Claes has so far rejected any suggestions that his post at Nato could be threatened by the scandal. Nato governments have insisted that the affair is a domestic Belgian affair.

However, in the light of the recent developments some European Union diplomats have begun to suggest that his position might have to be reconsidered soon.

Mr Claes said the question of his future at Nato was "another question". "We will talk about that afterwards. We have not got there yet," he said. Speaking publicly for the first time since the Belgian court lodged its request, Mr Claes criticised comments by Belgian politicians and newspapers on the charges against him, saying that they "did not serve democracy".

He complained that once a politician was accused of corruption "it's the end". Mr Claes said that Mr Jacques Velu, the public prosecutor in the case, was "not speaking of facts" but of "indications" and that he wanted to meet those accusing him. "Is this not a fundamental right of the defence?" he asked.

The affair centres on allegations that Agusta, the Italian defence manufacturer, offered bribes to socialist politicians to secure a government contract for 46 helicopters.

Mr Claes earlier this year admitted that he had been told of a possible "gift" to his Flemish Socialist party after initially denying any knowledge of any bribe money being paid by Agusta.

Mr Claes, Belgium's economic affairs minister when Agusta sold the helicopters to the Belgian army, was one of two ministers to sign the contract.

The scandal has already forced the resignation of four leading socialist politicians, including Mr Frank Vandenbroucke, who was foreign minister, earlier this year.

Verdict soon on Italy's justice minister

By Robert Graham in Rome

The battle lines are being drawn for a bruising parliamentary debate over the future of Mr Filippo Mancuso, Italy's controversial minister of justice.

A majority has now been found in the senate to promote a no-confidence vote against the minister on October 18, which could force Mr Lamberto Dini, the prime minister, into a delicate cabinet reshuffle that could put the government at risk.

The minister is under attack from the centre-left parties which provide the parliamentary support for Mr Dini's government.

Mr Mancuso is accused of undermining the role of the investigating magistrates, especially those dealing with corruption and anti-Mafia cases, by ordering an ever mounting number of disciplinary inspections.

The minister, a former senior judge, has said he was merely trying to uphold the correct practice of the law and protect the rights of those under investigation. To this end he has ordered collective and individual inspections of magistrates in Milan, the protagonists of the three-year-old anti-corruption drive, as well as those in Naples, Palermo and this week Bologna.

However, on two occasions the higher magistrates' council, the governing body of the judiciary, has refused to recognise the validity of Mr Mancuso's inspections.

This week the national magistrates' association even warned Mr Mancuso that his behaviour was counter-productive. They accused him of ignoring the enormous daily problems of the administration of justice in favour of what increasingly appeared a personal crusade.

Mr Mancuso has refused to back down, ignoring calls from the centre-left for his resignation and publicly accusing Mr Dini and cabinet colleagues of being "supine" in his defence. He has received vociferous encouragement from Mr Silvio Berlusconi, the former prime minister, who himself feels that the Milan magistrates have been carrying out a vendetta against him and his Fininvest business empire.

Mr Dini has done little to conceal his embarrassment over Mr Mancuso's behaviour, but the prime minister cannot force a cabinet colleague to resign.

He is also aware that he would be faced with finding a replacement just when his own limited mandate is close to conclusion. As a result, he has tried to postpone any action in the hope the controversy will die down

But the centre-left has become so angered by Mr Mancuso's behaviour that this week it decided to call a no-confidence vote. There is still time to arrange a compromise, but Mr Mancuso is unlikely to climb down.

Hungarians urged to buy local goods

But many still think foreign is best, writes Virginia Marsh

"Welcome to Hungarian Products Week" say the red, white and green banners flying above the entrance of Budapest's landmark Corvin department store. "Buy Hungarian" read the labels on the smartly packaged bottles of shampoo, aftershave and detergent neatly stacked in the shop's front window.

The campaign by Centrum, one of Hungary's main retailers, marks something of a departure in a city full of American fast-food outlets and bright new shops packed with the latest western electronics, clothes and cosmetics. The influx of foreign consumer goods has transformed the capital's once drab streets and is one of the most visible signs of the country's economic changes.

But six years after the collapse of communism, local companies, many of them newly privatised or even foreign owned, are beginning to fight back.

Old brands have been revitalised by improving quality, marketing and packaging; new products, more suited to the demands of the modern consumer, have been launched.

The changes have been aided by sharp increases in the price of imported goods this year. In March, to plug the country's rapidly growing trade deficit, the government put an 8 per cent surcharge on most imports and said it would devalue the forint by 28 per cent by the end of the year.

Mr Andras Tamas, managing director of Centrum Holdings, which owns Corvin and a chain of 25 other department stores around the country, says: "We have to implant the idea in Hungarian society that buying locally-produced goods supports Hungarian industry and creates more jobs. We also believe we should provide a forum for local goods which are generally cheaper and not worse in quality than western goods."

Mr Tamas expects sales this week to be up to 10 per cent higher than normal and says the campaign has attracted many extra consumers to the shop.

The main aim is to launch new products, although this year Centrum has added "Hungarian product" labels to all locally-made goods, including those produced in Hungary by foreign companies.

Many foreign companies producing locally have retained popular existing brands but redesigned packaging and improved quality. Douwe Egberts, a leader in the local coffee market, for example, kept on the well-known Omnia label when it took over local coffee-maker Compack.

For Hungarian Products Week, Centrum's marketing department sifted through 1,500 new products before choosing 100 for special promotion. Displayed upstairs on the first floor, the goods – which range from high-quality Tokay wines to fabric softeners, toothpaste for children, handbags and washing machines – are barely distinguishable from their western equivalents.

Among consumers, however, distrust of local products still runs high; many remember the shoddy quality standards and unattractive presentation of goods produced under communism.

"I try to buy Hungarian and I think this promotion week is a good idea," says an office manager looking at locally-made toys in the children's department. "But the quality of many Hungarian goods is still not good enough. These toys are not as attractive or realistic as western ones and there's less variety. Apart from food items, I have to admit that, when the price is more or less the same, I almost always choose a foreign product rather than a local one."

An electrical engineering student, browsing in the hi-fi department, agrees, but adds: "I'm much more inclined to buy local goods than I was four or five years ago. Standards have improved and Hungarian goods are often better value for money."

Mr Tamas believes advertising, which was minimal in the communist era, is the reason many Hungarians prefer foreign brands. "Hungarians are like consumers everywhere. They go for the brands they see most often on their television sets," he says.

Local producers, lacking the financial muscle of multinational companies, have been unable to match the advertising campaigns mounted by their western rivals. Spending on advertising has increased six-fold in the past five years, with western companies or foreign-owned joint ventures accounting for 75-80 per cent, according to the Hungarian Advertising Association.

For example, Signal toothpaste, made in Poland by the Anglo-Dutch company Unilever, sells at Corvin for Ft165 ($1.25), compared with Ft79 for a local brand, but became the leading brand within two years of its launch on the local market in 1992. Unilever was the biggest single spender on advertising in 1993 and 1994.

This has driven local companies to find innovative ways to promote their products. MTM Communications, a local marketing and media group, for example, has launched a popular Hungarian version of the Wheel of Fortune game show on television featuring only Hungarian-made prizes.

Mr Zoltan Bakos, MTM's director of operations, is president of the Purchase Hungaria group launched by 150 local companies this summer. He says the group has designed a logo for Hungarian goods which it is urging Centrum and other retailers to display on products and shop windows all year round, not just in Hungarian Products Week.

NEWS: WORLD TRADE

Jordan and Israel gather fruits of peace

By Julian Ozanne in Amman

Jordan's Arab Potash Corporation and Israel's Dead Sea Bromine have signed a memorandum of understanding to form a $50m bromine project, the first major Israeli-Jordanian joint venture since the two countries signed peace accords one year ago.

The announcement came after the US said Jordan and Israel had chosen Lockheed Martin to carry out a feasibility study for building a common airport which would serve the Israeli and Jordanian Red Sea resort cities of Eilat and Aqaba.

Both projects raised hopes yesterday that Israeli-Jordanian private and public sector investment projects which have taken shape since the peace agreement are now beginning to get off the ground.

"This is definitely a fruit of peace," said Mr Suleiman Hawari, managing director of Arab Potash. "Before the peace we couldn't even talk to each other. Now, in the Dead Sea, we have great opportunities to co-operate with Israel. We hope this will be the first start for real co-operation and business links."

The memorandum of understanding calls for the construction of a $50m bromine plant on the Jordanian side of the Dead Sea which will produce 25,000 tonnes of bromine a year and other bromine derivatives.

Mr Hawari said the plant, owned 50-50 by the two companies, would be under Jordanian management but Dead Sea Bromine, a subsidiary of Israel Chemical and a major producer of bromine, would provide technical and marketing assistance. Dead Sea Bromine said yesterday it had signed a long-term agreement with US based Ethyl Corp to supply 20,000 tonnes of bromine a year for 20 years.

Mr Hawari said the memorandum must receive the approval of both governments and the boards of directors of the two companies before completion of the deal. If approved, the plant is expected to begin operations within three years.

Private sector joint ventures are widely viewed as being easier to forge in the new Middle East but yesterday's announcement of significant progress on the Israeli-Jordanian Aqaba airport project will raise confidence about the prospects for public sector projects.

The airport is the first in a series of proposed regional infrastructure projects including shared use of ports and construction of roads. It is planned to straddle the border between the two countries and have different exit terminals for Israel and Jordan. The US Trade and Development Agency, which gave a $500,000 grant for a feasibility study, said the project would result in $100m-$200m in US exports, depending on the final size of the facility.

The airport would allow Israel to dismantle its small airport at Eilat, which bisects the resort town, and will earn Jordan considerable fees. Lockheed Martin is expected to finish the feasibility study within six months. The study will review passenger and cargo forecasts, include a preliminary layout of airport facilities and develop an air traffic control plan.

Brown takes offensive over trade promotion

By Nancy Dunne in Washington

The US government has learned of almost 100 cases of bribery being paid by foreign companies to secure international contracts worth $45bn, according to Mr Ron Brown, US commerce secretary.

Mr Brown, who yesterday presented an update of the administration's export promotion programme to Congress, said the US had won 120 contracts this year as a result of its much trumpeted export promotion programme. He said the US does not employ questionable tactics in its pursuits of business.

According to the summary of the classified report, US companies lost about one half of 200 international tenders over the last eight years as a result of various forms of foreign government pressure. The report also notes that the US trails its competitors in spending on export promotion. "In 1993 the US spent $4bn less than Germany, $16bn less than France and tens of billions less than Japan in financial assistance to exporters," it says. France, Germany and the UK have more government employees working on export promotion than the US.

An abridged copy of the report cited by the Wall Street Journal gave as an example a power generating project in Central Europe. The project's review board had recommended that a US company be given the contract, but the US has evidence that a power company official was given a cash bribe by the winning European company.

A US company allegedly lost a contract in China to a Germany company which promised it would no longer sell submarines in Taiwan.

The release of this controversial report comes as Republicans are threatening to dismantle the Commerce Department and Mr Brown is under renewed criticism for alleged financial improprieties.

The report's release is an annual event and this year's inclusion of the section on bribery can be expected to heighten interest and boost the administration's export promotion programme.

The report talks of ruthless competition for contracts. It says France is the most aggressive foreign competitor, using a range of tactics, including government lobbying and generous finance programme. The UK uses high-level visits more frequently than its rivals. Germany makes frequent use of financing and high-level visits.

The US had done its own high-level lobbying. President Bill Clinton personally urged Saudi King Fahd to buy aircraft from US companies, and members of the cabinet have been leading business delegations around the world.

Brown: his post is under threat from Republican Congress

Foster's taps beer market in China

By Tony Walker in Beijing

Foster's Brewing Group and Wheelock Pacific, the Hong Kong trading house, yesterday commissioned their first joint venture brewery in China, and said they were investigating further co-operation in new ventures.

Mr Ted Kunkel, chief executive officer of Foster's, speaking at the opening of the brewery in the coastal city of Tianjin, 100km east of Beijing, also held out the prospect of Wheelock's taking a share in Foster's two other ventures in China.

Wheelock, a US$12bn group of companies involved in trade and finance, has long experience in China. Foster's turned to the Hong Kong company to provide it with management and marketing expertise on the ground in China in its efforts to tap a highly competitive beer market.

The Australian brewer has now invested about A$100m (US$76m) in China and expects to take up to five years to bring existing ventures to profitability. Mr Kunkel said Foster's was losing about A$10m a year in this start-up phase.

Foster's and Wheelock formed a joint venture to purchase the Tianjin and Bohai breweries in the country's first state enterprise liquidation auction held in January. The companies have spent about A$30m on the purchase of the brewery and land for expansion.

The venture has launched a new beer, known as Largo, in an attempt to secure a share of the local market, dominated by beer produced in Beijing and in nearby Qingdao.

The new venture is also planning to relaunch the Tianjin breweries' Great Wall brand in the next few weeks as a premium beer.

Daewoo to invest $1.2bn in Vietnam

By Jeremy Grant in Hanoi

Daewoo, the South Korean conglomerate and biggest foreign investor in Vietnam, has signed a $1.2bn joint venture contract with a Vietnamese electronics company to build a huge industrial complex just outside Hanoi.

The project would involve spending $200m turning farmland east of the capital into an industrial site called *Daewoo Industrial Complex Saidong*. The site would eventually contain a $700m car assembly line, a $200m electronics plant and a $100m tyre factory.

Daewoo and its partner plan to produce annually 1m television sets, 500,000 refrigerators and 500,000 video recorders, 600,000 cassette recorders, 300,000 washing machines and 300,000 microwave ovens.

The deal was signed with Hanoi Electronics (Hanel), which is affiliated to the Hanoi People's Committee, or municipal authority. The joint venture will need government approval.

Industry experts say the company's latest deal is part of an aggressive strategy outlined by Daewoo last month to invest $2bn in Vietnam by the year 2000, much of it in less developed northern Vietnam.

Daewoo has already invested $500m in 12 projects in Vietnam, including oil exploration, car assembly, hotels and a huge business centre in Hanoi. Daewoo has said it is working on a further 30 projects, including paints, cement, sugar and urban transport systems.

Daewoo's aggressive stance in Vietnam has taken some by surprise given most other investors' cautious approach to spending big sums in a country still seen as risky.

See Editorial Comment

Japanese deal clouds new US computer rules

Nancy Dunne and Louise Kehoe on doubts over trade liberalisation

The cheering of US computer manufacturers following last week's liberalisation of export controls has become more muted as implications of a US-Japan accord on computer sales has emerged as a possible stumbling block to the successful implementation of the new rules.

Under a bilateral agreement, signed in 1985, Tokyo and Washington aimed to limit exports of powerful computers that might be used to design nuclear weapons. US industry officials charge, however, that Japan has exploited the accord to gain economic and competitive advantage for its own computer industry.

Under the terms of the agreement, the US shares information with Japan about export licence applications for high-powered computers. US industry officials claim that this information has, on occasion, reached their Japanese competitors.

The US industry also maintains that Japan is "dragging its feet" on updating computer export controls in order to give its computer industry time to catch up with US manufacturers. These difficulties in the accord with Japan have overshadowed the significant victory of the US computer industry in its long battle against restrictive export controls on computers.

New export rules announced last week will eliminate restrictions on sales of US-made computers to customers in North America, most of Europe and parts of Asia, while significantly raising performance limits for computers that can be sold in most other parts of the world without special licences. An embargo would remain against the "rogue" states of Iraq, Iran, Libya and North Korea.

The Pentagon and other national security agencies previously opposed to liberalisation of computer exports appear to have been persuaded that efforts to restrict foreign access to the latest computer technology are now futile.

The decision will relieve US companies of burdensome regulations "which often tied their hands while foreign competitors won major contracts," President Clinton said when announcing the liberalisation. About $10bn a year, or approximately 6 per cent of US computer exports, will be "deregulated" under the new rules, according to the American Electronics Association, an industry trade group.

"There are no more national boundaries in computing. The US can no longer keep a lid on computer technology," said Mr John Gage, director of science for Sun Microsystems, the leading computer work station manufacturer, who recently testified before Congress in support of removing export controls on computers.

Anyone in the world with a personal computer can connect via the Internet to powerful supercomputers to perform calculations far exceeding the level of US export curbs, Mr Gage said.

US companies lead the world in high-performance computer technology. In computer work stations, for example, the world's top five suppliers, all American, together hold a share greater than 80 per cent of the world market.

The proposed changes would significantly raise the performance ceiling for computers that can be exported without special licences – from 1,500 Mtops (millions of theoretical operations per second) to 10,000 Mtops for sales in South America, South Korea, Asean nations, Hungary, Poland, the Czech and Slovak republics, Slovenia and South Africa.

Individual licences will be required for computers above 10,000 Mtops. Above 20,000 the government may require safeguards to ensure that the machines do not find their way to third-country destinations.

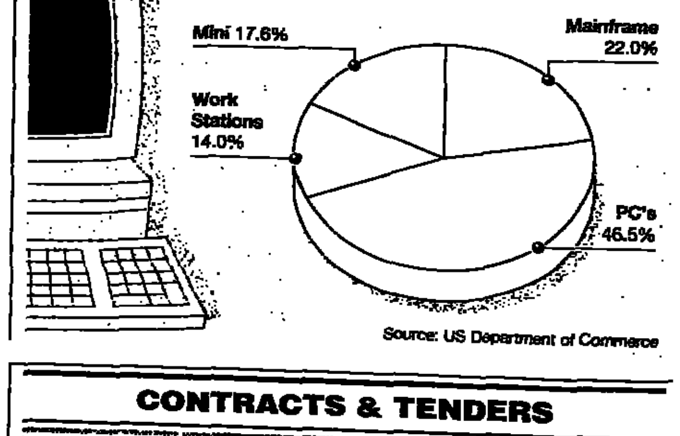
Licences will not be required on computers above 2,000 Mtops going to India, Pakistan, the Middle East, China, Vietnam, the former Soviet Union and the rest of eastern Europe. For more powerfulcomputers, the administration has drawn a distinction between military and civilian end-users. It will require licences for military destinations but not for civilians up to 7,000 Mtops.

Personal computers, which have performance ratings up to about 150 Mtops, are not affected by US export controls. However, multiprocessor computers, such as Hewlett-Packard business computers containing several high-power microprocessors, have performance ratings in the 10,000-20,000 Mtops range.

To keep pace with advancing technology, "the regulations, if we must have them, need to be reviewed at least every 12 months," said Mr Hans Luemers, Sun Microsystems export compliance manager. "By 1997, these new regulations will be obsolete," he said, noting that Sun will introduce computers that break through the 10,000 Mtops performance barrier in the first half of next year.

Unless export restrictions are eliminated, or a system is created that ties performance limits to current technology, the computer industry will once again face onerous restrictions within about two years.

World computer equipment market



Source: US Department of Commerce

NEWS: INTERNATIONAL

ANC call to end de Klerk security role

By Roger Matthews in Johannesburg

The African National Congress yesterday called for the removal of Mr F.W. de Klerk, deputy president and leader of the National party, from chairmanship of a key cabinet committee yesterday, sharpening political divisions in South Africa before local elections on November 1.

The ANC said it backed the call by Mr Mac Maharaj, minister of transport, for President Nelson Mandela to dismiss Mr de Klerk from the committee on security and intelligence.

"As long as Mr de Klerk plays a prominent role in the security situation he will continue to give it a bad name, because out on the streets the people will not trust the security forces. He is not fit for the job," Mr Maharaj told parliament.

He also accused Mr de Klerk of claiming that he could take back the presidency simply by calling in the army. Mr de Klerk angrily responded that all he had said was that the National party could have clung to office for another 10 years by using all the forces at its disposal. "Any inference that I was threatening a coup was devoid of all truth," Mr de Klerk said yesterday.

With nearly three weeks to run before the elections, an intensification of the row between the ANC and the National party could dent business confidence which last week was reported to be running at its highest level for more than a decade. There was also concern yesterday that the decline in days lost through strikes this year may be due to wage settlements that are significantly ahead of inflation.

A report yesterday by Andrew Levy and Associates, labour consultants, said pay increases in the first nine months averaged 11.5 per cent, compared with the August inflation rate of 7.5 per cent.

Although the inflation rate for the year is expected to be closer to 10 per cent, the pay settlements indicate an important increase in real wages, with one sector reporting an average 16 per cent rise.

Most of the days lost through industrial action this year have been in the public sector, where the government is attempting to stick to budget allocations that implied a real drop in wages for most workers.

Parliament yesterday passed the final piece of legislation needed for the local elections to go ahead in most areas of the country, but the ANC wants a change in polling regulations to cope with the threat posed by unregistered voters.

Nearly 30 per cent of potential voters have failed to register and there are fears of violence if they arrive at polling stations and demand to vote. The ANC proposed yesterday that to defuse the threat, they should be allowed to vote, but their ballots placed in a separate box and not counted.

Ivory Coast heads for stormy election

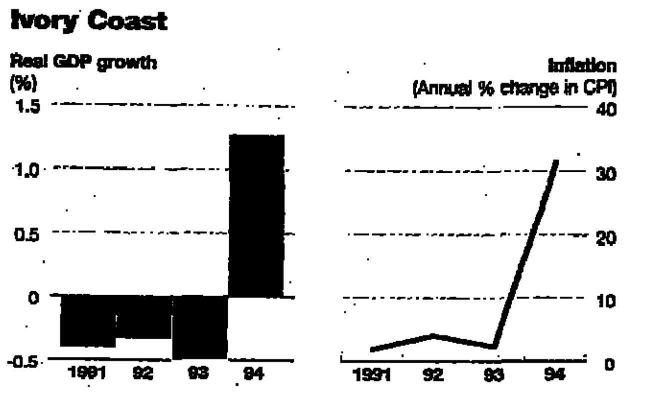
The West African nation's reputation for political stability is at risk, writes Michela Wrong

Two years after the death of founding president Felix Houphouet-Boigny, Ivory Coast faces as critical a test as any in its post independence history.

Once seen as a role model for Francophone West Africa, today it is a test case for economic and political reform as it implements structural adjustment measures including a 50 per cent devaluation of the CFA franc while pursuing multi-party politics in a formerly one-party state.

With just nine days to go before the October 22 presidential elections, the opposition parties are boycotting the polls and taking to the streets amid scenes of unprecedented political violence. Although the boycott makes it all but certain that President Henri Konan Bedie, who automatically succeeded on Houphouet-Boigny's death in 1993, will win the poll, he will not have won a popular mandate to govern.

Mr Bedie has been locked in confrontation with a surprisingly militant opposition, angered by the introduction of a controversial electoral code which, by stipulating that presidential candidates must have lived in the country for the previous five years, eliminates Mr Alassane Ouattara, a former premier and head of the Rally of the Republicans opposition party – the only man likely to pose a real challenge.



The two main opposition parties, which are calling for the vote to be postponed, finally threw down the gauntlet three days ago when they called for sit-ins, demonstrations and marches from Monday.

Their call defies a ban on protests during the campaign and a government promise that "order will be maintained". It suggests another round of the street violence that left five people dead earlier this month, dealing the country's reputation for stability a shattering blow, could be in the offing.

The clashes were the worst violence in the Ivory Coast since the 1970s and an indication of how much damage the long-running battle between the opposition and the hawkish survivors of single-party rule has done to a traditionally harmonious society.

Most observers blame the deterioration in the political climate on Mr Bedie. A former parliamentary speaker, he took over automatically when President Felix Houphouet-Boigny died and is keen now to win election in his own right and emerge from the shadow of "the Old Man".

The tactic that excluded Mr Ouattara may well have rebounded on the president, for it has done much to unify a hitherto unimpressive opposition. To the surprise of many political observers Mr Laurent Gbagbo, leader of the Popular Ivorian Front and the one politician who stood to mop up some of Mr Ouattara's support, has not leapt in to fill the gap, insisting instead on a boycott.


Bedie: heading for Pyrrhic victory

So far, however, the opposition has gained little from its stubbornness. While the president went some way in recent talks to meeting demands for an independent electoral commission, offering to set up an arbitration committee which would include the opposition, he made it clear that there was no question of withdrawing the electoral code or delaying elections.

"Bedie has got far too much to gain from these elections to consider making any real concessions," said a diplomat. "Why should he compromise?"

Bolstering Mr Bedie is the support of France, which still enjoys huge influence in its former colony. Ever pragmatic, Paris has put pressure on Mr Ouattara to save his fire for the presidential elections in the year 2000.

With tension building in Abidjan, the country's commercial centre, the opposition faces a difficult prospect. Were it not for the boycott, it could hope to build on its tiny stake in the 175-member parliament during legislative polls due in November and challenge a re-elected Mr Bedie through the legislature.

Belatedly, demands are being scaled down as human rights activists, clerics and trade unionists act as mediators between the two sides, trying to forge a compromise.

One possibility, insiders say, is an agreement by Mr Bedie to review the contested voters' register by next month in exchange for an opposition promise not to snub those polls and thereby ensure they win credibility abroad.

There is more than the injured pride of a few individuals at stake. The timing of the October 2 street protests, which coincided with a investors' conference in Abidjan aimed at luring new businesses to Ivory Coast, highlighted the dangers both sides are courting.

Economists have been optimistic about Ivory Coast's economic prospects, impressed by the way the country has managed to weather France's long overdue devaluation of the CFA franc last year.

The country is enjoying an export-led boom, enhanced by favourable prices for its coffee and cocoa on world markets. Industrial activity is on the rise, gross domestic product grew in 1994 for the first time in seven years, and after an initial post-devaluation surge, inflation appears to be under control.

But both parties realise all these gains could be cancelled out if the country develops a reputation for instability.

Imported labour may not be cheap for Gulf states

By Robin Allen in Abu Dhabi

The case of Ms Sarah Balabagan, sentenced to death last month for killing her employer, Mr Mohammed Al-Baloushi, whom she said had tried to rape her, has sharply reminded United Arab Emirates authorities of their over-dependence on imported labour.

A loosely knit federation of seven emirates, the UAE has a population thought to be 2.5m-3m, of which 70 per cent is foreign. The federation is led by Abu Dhabi, its richest and most powerful member, and in particular by its ageing and respected ruler and UAE president, Sheikh Zayed Bin Sultan Al-Nahyan.

Senior federal officials in Abu Dhabi, including members of the ruling family, are expressing serious concern at the inability of the federal government to control the numbers and types of immigrants, and the consequent damage to the social and political fabric of the UAE.

Estimates from Asian embassies in Abu Dhabi and consular officials in Dubai suggest there are more than 1.5m Asian and Egyptian workers in the UAE sending about $2.5bn a year back to their own countries. This is only a small proportion of the total numbers working in cosuntries of the Gulf Co-operation Council (GCC), which groups the UAE with Bahrain, Kuwait, Oman, Qatar and Saudi Arabia.

The reverse side of the same coin is the crucial contribution these workers make to their own countries' balance of payments. Embassies acknowledge that most of these remittances bypass conventional banking channels, and so elude governments in the country of origin.

But there is a darker side to the money-and-jobs relationship between host country and its immigrant worker force. Illegal agencies, operating in collusion with recruitment companies in the "exporting" country, manipulate the host countries' labour laws, defraud the future employee departing to work in the GCC, who is then left to the mercy of his or her sponsor, who may well not be the ultimate employer.

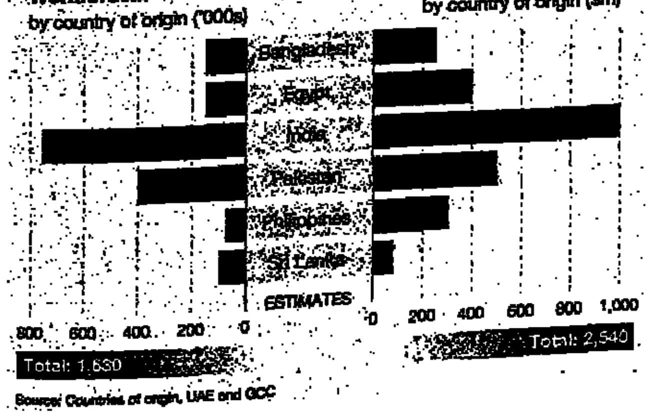
The personal tragedies that ensue are not confined to the UAE or the GCC. The same abuses occur in the west.

Most exposed are domestic servants, particularly housemaids and nannies. This type of employee, often illiterate, is excluded from the UAE labour law which sets out maximum working hours and wages, leave periods and other basic conditions. In Kuwait they comprise the single largest element of the expatriate labour force. In the UAE, according to February 1994 statistics from the labour and social affairs ministry, they numbered 180,000 of which 150,000 worked for local families. Nearly 67 per cent are from Sri Lanka, 23 per cent from India, 9 per cent from the Philippines and the rest from Bangladesh.

In the UAE, the scope for getting round federal labour and immigration laws is compounded by the existence of seven "states within a state" and the correspondingly high numbers of people with the authority and the freedom to interpret federal legislation to suit themselves.

Officials in Abu Dhabi are openly critical of the free-wheeling habits of the sheikhs in four of the poorer northern emirates, Ajman, Umm Al-Qaiwain, Ras Al-Khaimah, and Fujeirah. These people, they say, supplement federal hand-outs from Abu Dhabi by selling, through local agents, volumes of UAE work permits to Indian and Pakistani labour recruitment companies.

To many officials in Abu Dhabi the sheer scale of this immigration is overwhelming and unacceptable. "We are already in a crisis," said one former senior official with close ties to the ruling Al-Nabyan family. "Existing labour and immigration laws are not being applied. It is just a matter of time before the crisis boils over."



Source: Countries of origin, UAE and GCC

Murayama appears to reverse stance in saying the 35-year occupation was legal

Japanese annexation claim upsets Koreans

By William Dawkins in Tokyo

Japan was yesterday embroiled in another Asian row over its war record, triggered by Prime Minister Tomiichi Murayama's claim that the annexation of the Korean peninsula in 1910 was legal.

Mr Gong Ro-myung, South Korea's foreign minister, yesterday summoned the Japanese ambassador in Seoul to remind him that the treaty of annexation was signed under duress. A committee of South Korean parliamentarians expressed "deep disappointment and shock over Mr Murayama's absurd remarks".

Earlier, North Korea's Communist party newspaper condemned the claim.

This is the latest in a series of remarks by senior Japanese politicians implying lack of repentance for the war years, and the first by a Socialist.

As such, it will harden foreign perceptions that Japan is unlikely to qualify for a leadership role in Asia for years.

Japan occupied Korea from 1910 to 1945, the legacy from a period which continues to sustain an element of mistrust in its relations with both Koreas and other south-east Asian countries. The 1910 treaty was signed by the Korean government, but only five years after the Japanese military had seized the Korean royal palace and declared the country a protectorate.

Even Japanese school books, censored by the education ministry, stress that Koreans opposed the annexation. In the final five years of colonial rule, all Koreans were forced to assume Japanese names, and 1.2m of them were exiled to Japan, for forced labour.

Mr Murayama's remark – in reply to a question in parliament last week – had all the more impact because it is at odds with his attempts, at the 50th anniversary of the end of the second world war, to set the record straight. His apology, in August, for the Japanese imperial army's wartime cruelty was widely welcomed as opening the way for Japan to achieve international influence more in line with its economic weight.

In an attempt to soften the damage, Mr Sadayuki Hayashi, Japan's vice-foreign minister, yesterday told the South Korean ambassador in Tokyo Japan did not want to harm bilateral relations with Seoul. The prime minister had merely repeated the government's official line, Mr Hayashi said.

But Mr Kim Tae-zhee, the South Korean ambassador, lodged a protest yesterday with the Japanese foreign ministry over Mr Murayama's statement. He told Mr Hayashi that his government and the Korean people regard the 1910 annexation treaty as "invalid from the beginning".

Minister dubious over Thai road-rail project

By Ted Bardacke in Bangkok

Thailand's traffic overlord, Deputy Prime Minister Thaksin Shinawatra, believes mass transit is the only long-term solution to Bangkok's traffic jams, but has doubts concerning the planned combined elevated road and rail project to be built by the Hong Kong-based Hopewell Holdings.

Hopewell, awarded a 30-year concession in 1990 to build and operate the \$3.2bn, 60km project, said originally the first section would be completed by 1995. But because of bureaucratic squabbling and financing problems, only minimal work has been done.

Mr Gordon Wu, Hopewell's chairman, recently promised the first section would be completed by the start of the 1998 Asian Games, which Bangkok will host. "But I don't know, I still have my doubts," Mr Thaksin said.

He expressed confidence in two other mass transit projects, a privately-owned \$1.6bn, 22km elevated rail system under construction but yet to be financed, and a government-owned \$2.4bn, 20km underground system.

For this latter system, the government will put out a tender in January, award a construction contract by June, and begin work by December 5, 1996.

Once these systems were in place and car owners had an alternative, Mr Thaksin said, he would make it more difficult to buy new cars. Some 20,000 new cars are added to Bangkok's congested streets each month.

Implementing a car reduction plan might be hard, Mr Thaksin added, as Thailand had become a regional centre for car manufacturing. The unstable nature of Thai politics meant he was unsure how long he would remain a minister. But he promised strict law enforcement and a computerised traffic light system would cut travelling times in Bangkok by 20 per cent by January.

Malaysian privatisation loses allure

Kieran Cooke reports on disillusionment among investors and consumers

Malaysia's privatisation programme, at one time the toast of the investment community, is losing its allure.

Companies once state-controlled account for about 40 per cent of the capitalisation of the Kuala Lumpur stock market. Foreign investors who formerly fell over each other in a rush to buy stakes in newly-privatised entities are now staying away. Local investors are following suit.

Political interference in the privatisation process, plus confused and often contradictory policy implementation, have caused disillusionment among investors. Consumers are increasingly angry about what they see as profiteering by privatised companies.

Privatisation has been a key element in the economic strategy of the government of Dr Mahathir Mohamad, the prime minister. The world's free marketeers have applauded as airports, roads, telecommunications and a host of other enterprises have been fully or partly privatised. According to government figures, the programme, started 12 years ago, has generated public spending savings of M\$48bn (£12bn). At the same time M\$11bn has been accumulated from the sale of former state entities.

Critics of the government's handling of the privatisation process have focused their fire on Tenaga Nasional, the partly privatised electricity utility. In May, the government decided that Tenaga, floated in 1992 and now one of the country's biggest listed companies, should not be allowed to raise its prices. The government, worried about growing inflationary pressures in the fast-expanding economy, said the increase was not justified.

Investors cried foul. They accused ministers of going back on an agreed formula allowing Tenaga to adjust its charges in line with fuel prices and other costs.

Tenaga has been further threatened by competition from five independent power producers licensed by the government. Under the terms of government-sponsored agreements, Tenaga has to buy power from the independent producers, all of whom have strong political links, even if there is no demand for extra supplies, and at rates now higher than its own production costs.

At the same time, consumers complain that although Malaysia has a considerable surplus, blackouts and breakdowns are still common. The island of Penang, home to much of the country's electronics industry, has been badly affected. With each succeeding calamity, Tenaga's performance on the stock market has taken a tumble. Shares once worth M\$20 are now trading around M\$9.

"Tenaga has shown investors and consumers that privatisation is not some kind of panacea," says a locally based fund manager. "The early euphoria which surrounded privatisation has disappeared."

Other privatised entities have come under fire:

■ Telekom Malaysia: the telecoms utility was partly privatised in 1992 and is now the country's biggest listed company. Investors have become increasingly concerned by a deregulation policy which has seen telecommunication licences handed out to nine companies. Again, many of the new operators have political connections.

Telekom has warned that its interests have been severely affected by what amounts to a telecoms free-for-all in what is still a relatively small market. Belatedly, the government seems to have realised the unwisdom of its actions. Dr Mahathir has said the telecoms sector must be rationalised. "Some sort of co-operation or merger could be initiated so that we only have about three or four companies," the prime minister said recently.

■ Toll roads: Malaysia has been the developing world's toll road pioneer. Centrepiece of the programme has been construction of the north-south highway, which stretches for 845km down the Malay peninsula. In 1988, United Engineers Malaysia (UEM), then directly owned by Dr Mahathir's United Malays National Organisation political party, won the contract for the highway on a build-operate-transfer (BOT) basis. The highway was fully opened last year, well ahead of schedule. But it cost nearly M\$7bn, almost twice the original estimate.

The highway's operators are now asking for a 33 per cent increase in toll fees to cover rising maintenance and service charges, plus debt financing costs. Motorists are urging the government to keep tolls at the present level.

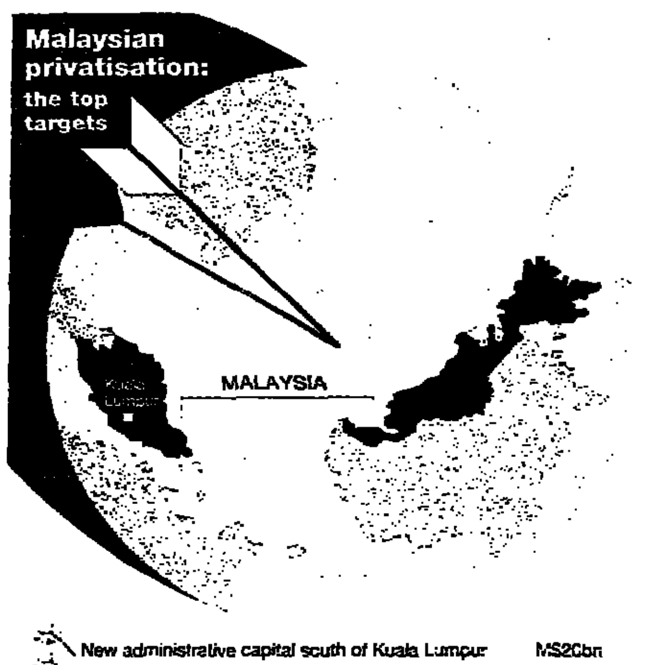
Investors in the scheme are watching events closely: they say the highway's operators are contractually entitled to the increase. "If the government refuses to raise the toll, then foreign investors will inevitably put a higher risk premium on such projects in Malaysia," said a foreign analyst. "That in turn will mean higher future financing charges."

■ Water and sewerage: In 1993 a consortium made up of Malaysia's Berjaya group and North West Water of Britain won a BOT contract worth M\$4bn-M\$6bn to upgrade the country's water and sewerage system. Private and commercial users are up in arms about bills they have received. Many are refusing to pay. The government has stepped in to tell the consortium to revise some of its billing policies.

Many feel an ombudsman with wide powers is needed to arbitrate between the often conflicting interests of the government, investors and consumers. But it is unlikely Dr Mahathir would let anyone challenge government policy. An arbitrator would find it hard to confront the forces of well-connected companies.

Privatisation is crucial to the government's ambitious overall development programme. More than 30 partly or fully privatised projects at an estimated total cost of M\$163bn are due for completion between now and 2020, target date for Malaysia to be turned into a fully industrialised nation.

"What we can privatise, we will privatise," says Dr Mahathir. But if investors continue to shy away, privatisation, and Malaysia's whole development programme, could be in jeopardy.



New administrative capital south of Kuala Lumpur	M\$20bn
Bakun (Sarawak) hydroelectric scheme	M\$15bn
Independent power plants	M\$10bn
New Kuala Lumpur international airport	M\$9bn
Road/rail links to new airport	M\$7bn
Gas pipe Kuala Lumpur/Thailand border	M\$7bn
Water/ sewerage system	M\$6bn
Kuala Lumpur light rail system	M\$5bn

India and Russia 'sort out' differences

By Shiraz Sidhva in New Delhi

India and Russia yesterday claimed they had "sorted out" differences which had impeded the development bilateral trade and links in other areas.

Ending a meeting of an inter-governmental commission on trade, economic, scientific and technical co-operation in New Delhi, Indian and Russian officials said they were determined to increase bilateral trade which suffered after the Soviet Union collapsed in 1991.

"We have made major progress," Mr Pranab Mukherjee, India's foreign minister, said after the talks, during which India promised medical aid for victims of the 1986 Chernobyl nuclear accident. "We are generally satisfied with the results," said Mr Yuri Yarov, Russian deputy prime minister.

But a long-standing issue over debt was unresolved as Russia failed to convince India to convert its long-standing rupee debt into hard currency. India says the 1993 pact was signed only after debate about the rate of repayment following the rouble's plunge, and declined to amend the terms.

Under the 1993 agreement, Russia had agreed to use the annual rupee debt repayment of Rs30bn (\$560m) to buy goods and services from India. Russian officials say trade is slow, despite a 93 per cent rise in the first four months of this year.

Perrier recalls Valvert brand water in Japan

By Emiko Terazono in Tokyo and Ian Rodger in Zurich

Perrier, the mineral waters subsidiary of Nestlé, suffered its second big embarrassment in five years as its Japanese division recalled hundreds of bottles of its Valvert brand mineral water after Japanese health authorities claimed they had found mould in one of the bottles.

Perrier, when an independent company, was forced to destroy its entire world stock of 160m bottles of mineral water in 1990 after tiny traces of benzene, a carcinogenic substance, were said to have been found in bottles in the US.

It made provisions of FF435m (then about £45.3m) in its accounts to cover the costs, but analysts believe the true cost was much higher.

Perrier Japan said yesterday the Japanese authorities had not allowed it to inspect the Valvert bottle involved, and it could not confirm the allegations.

Nestlé, the world's largest foods group, which acquired Perrier in 1993, said the Valvert bottle was part of a lot consisting of 30,000 cases, all but a few hundred bottles of which had already been consumed without complaint.

"We are following up carefully, but our own laboratory analysis shows the bottles were totally safe," Nestlé headquarters in Switzerland said. They had no intention of withdrawing the brand from other markets. Valvert was launched in 1992 using a Belgian source.

The move came as more than a dozen mineral water brands have recently been found allegedly contaminated in Japan and inspection procedures have been tightened.

Japanese authorities have ordered the recall of bottles from New Zealand, Australia, Canada, Italy, and Switzerland since September, but no illness has been attributed to the alleged contamination.

European mineral water companies said some impurities found by health authorities have in fact been congealed minerals such as calcium and magnesium.

Some European embassies have complained to the Japanese ministry of health and welfare for stirring up unwarranted concern.

Consumption of mineral water has surged in Japan following lifting of a ban on unsterilised mineral water imports in 1986. Last year 1.5m tonnes were imported, up 114.6 per cent from 1993.

Importers suggest that lax inspection of some retailers' private brand water could have started the mould scare.

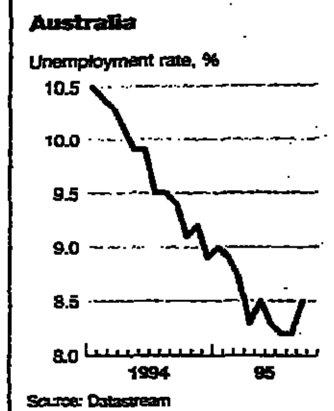
ASIA-PACIFIC NEWS DIGEST

Loan troubles for Taiwan creditors

Almost a fifth of Taiwan's 385 credit co-operatives, farmers' and fishermens' associations have seriously overdue loan ratios of above 5 per cent, the government said yesterday. Overdue loans have also been rising steadily at mainstream banks, including the three large state-run banks, but most of them are still below the 5 per cent level.

Bad loans and worries about financial stability have led to bank runs on several credit unions in the last few months. The latest to be hit is a farmers' association in Kaohsiung, southern Taiwan. Over the past week, customers have withdrawn more than T\$1.3bn (\$48m). *Bethan Hutton, Taipei*

Australian jobless at 8.5%



Australia's unemployment rate rose to 8.5 per cent in September, from 8.2 per cent in the previous month, an increase which surprised financial markets and leaves the jobless percentage higher than it was five months ago. Most analysts had predicted a small increase in the employment numbers during September. In the event, the estimate of total employment fell by 15,800 after remaining static in August. The estimate of part-time employment, which earlier this year was showing strong growth, also fell for the third consecutive month. Yesterday's data is bound to add to the debate over the extent to which Australia's economy is now slowing. Several key statistics, such as import levels, suggest a fairly sharp deceleration, but others, such as retail sales data, indicate a more moderate downturn.

The rate at which the economy is losing steam could have significant political consequences, with economists and the business community divided over whether there will be scope for an interest rate cut ahead of the federal election, which must be called by May next year. *Nikki Tait, Sydney*

Fire at Murdoch's Sydney base

Media head Mr Rupert Murdoch watched from a Sydney carpark yesterday as firefighters battled a blaze at the headquarters of his Australian newspaper operations. Flames shot from the top of the five-storey building and black smoke billowed over the city as Mr Murdoch arrived for lunch. Surrounded by more than 1,000 News Corp staff evacuated from the building moments earlier, Mr Murdoch watched the fire for 10-15 minutes. The building houses the offices of three newspapers published by Murdoch's News Ltd subsidiary.

No one was injured in the blaze, which is thought to have started in the basement and to have shot up to the roof via air-conditioning ducts. It caused no damage to the main floors of the building. Staff returned to the building three hours later. *Reuter, Sydney*

Thailand bans journalists

Thailand has temporarily banned Australian journalists from receiving visas to work in the country as a protest against Australian media reports which were deemed disrespectful to Thai King Bhumibol Adulyadej.

An article in the Age newspaper last year about the Royal Pardon of an Australian serving a jail sentence for heroin trafficking was accompanied by a cartoon about the king. Thailand has open and often freewheeling media and in general welcomes foreign journalists, but any criticism of the king and the monarchy is both against the law and morally taboo.

The ban will not immediately apply to Australian journalists already working in Thailand, although they will be subject to extra scrutiny when applying for visa renewal. Thai officials are understood to be demanding assurances from the Australian government that disrespect for the king will not be shown in the future, something the Australians cannot realistically guarantee, thus belying some of the country's high-profile campaign to claim cultural ties with Asia. *Ted Bardacke, Bangkok*

Karachi hit by strike

Karachi, Pakistan's southern port city, came to a grinding halt yesterday in response to a strike called by the MQM or Mohajir Qaumi Movement, the city's most powerful ethnic political party. Gangs of young men burned tyres and put road blocks in parts of the city to enforce the strike, eye witnesses said. At least six people died in strike-related violence.

The strike was called to protest at Tuesday's killing of four MQM activists, who were allegedly killed by unknown gunmen while in police custody. However, the MQM and some human rights groups have disputed the official account, claiming that they were shot dead by the policemen.

Yesterday's strike was the 17th this year, disrupting commercial and industrial activity. There was no trading on the Karachi Stock Exchange, Pakistan's largest stock market. *Farhan Bokhari, London, and agencies*

Fighters gather in Kabul

Hundreds of fighters loyal to Mr Burhanuddin Rabbani, the embattled president of Afghanistan, were gathering yesterday in the suburbs of Kabul, the country's capital, waiting for orders to launch a counter-attack against the Islamic *taleban* fighters. In their latest victory on Tuesday, the *taleban* had captured one of the key government positions known as Charasiyab and launched rocket attacks on the city.

The effects of the latest fighting were also felt in other parts of the region. The military build-up and the anti-Pakistan charges from the Afghan government dampened prospects of immediate UN involvement in a peace effort. *Farhan Bokhari, London, and agencies*

The quest to put wine on the Chinese table

Tony Walker visits a winery cashing in on a revolution in drinking tastes

Lin Ke Qiang's introduction to vintage wines was a sour experience. "When I first tasted white wine it reminded me of vinegar," he recalls.

That was almost a decade ago. But, in the years since, Mr Lin has become a convert, extolling the virtues of the rieslings and chardonnays produced on the slopes of Laoshan on China's coast south-east of Beijing.

"Attitudes are changing among Chinese consumers," he says. "After sampling drier table wines, people realise the taste is better, more pleasant than the sweet wines or grain spirit they have been used to."

Mr Lin, manager of the Huadong winery, located an hour's drive north of the port city of Qingdao, is understandably enthusiastic about his product, but he is not exaggerating when he says that a revolution in Chinese wine tastes is under way.

Huadong Winery, a joint venture 60 per cent owned by Qingdao Winery and the Shandong Food Import and Export Corporation and 40 per cent by Allied Domecq of the UK, is an immediate beneficiary of this trend – and one of the catalysts.

Its rieslings and chardonnays have found a ready market among Chinese consumers and foreign residents and tourists, but Huadong winery cannot nearly satisfy demand from output of about 100,000 cases a year.

Plans are therefore afoot to increase production of wines and spirits, including a spumante, at the larger Qingdao winery in Qingdao city.

Allied Domecq and the state-owned Qingdao Winery are negotiating a joint venture in which the UK side would hold 60 per cent. Eventually the Huadong winery would be absorbed into the new venture.

Mr Henry Pomeroy, director of corporate affairs for Allied Domecq, says of China: "It offers us a huge potential market... We do believe it's the world's great emerging market."

Allied Domecq, which ranks number two in the world in wines and spirits sales, and whose brands include Ballantines - whisky, Courvoisier cognac and Beefeater gin, sees its Qingdao operations as a means of reinforcing its presence in China.

As Mr Pomeroy says: "This venture will help us in our main area of interest, which is distilled spirits, by giving us a presence in China. In these emerging markets there is an aspiration towards premium spirits. The big thing is that we don't know if this will be a bigger market for cognac or for whisky."

Mr Lin believes that the two sides should "quicken their steps" to take advantage of the fast-growing Chinese consumer market.

"All those years of training and investment are beginning to pay off," he says of the venture begun in 1985 by the late Michael Parry, a Hong Kong based wine merchant, and the Chinese partners.

Hiram Walker, the Canadian wine and spirit company acquired by Allied Domecq, purchased Mr Parry's share after his company, Parry Pacific, ran into financial difficulties in the late 1980s.

One of the keys to the success of Huadong, whose dry whites are highly regarded, has been the involvement from the early 1990s of Australian winemakers, who come to the Qingdao area in the Australian off-season.

Mr Tony Cooke of Specialised Winery and Technical Services, whose company is helping upgrade the Qingdao plant, says Huadong's chardonnays and rieslings are "bronze medal" standard, and its 1994 vintage is "by far the best wine to come out of China".

Huadong is also fortunate that, because demand far exceeds supply, marketing is straightforward. In fact, the biggest challenge is the need to increase production, but lack of suitable grapes is proving a barrier. The company is considering a number of possible growing sites nearby, but it will not be until next century that new vineyards come into production.

In the meantime, Huadong relies on grapes produced in surrounding areas by peasant farmers. Supplies tend to be of variable quality, but Huadong's viticulturists are working closely with farmers, providing cuttings and advising on growing methods, to try to ensure better quality.

"The biggest issue," says Mr Lin, "is how to improve the quality of grapes, and also train our staff to meet the demands of the market."

Huadong and Qingdao wineries plan to be producing 5,000 tonnes of wines and spirits by the year 2000, more than double present production. It seems an ambitious target, but in 1985, when the venture was launched, chances of successfully producing vintage table wines in China were not rated highly.

Now the formula is in place, the challenge for Huadong and its partners will be to manage their success.

Setback for California's electric car

Experts boost carmakers' drive against zero-emission quotas

By Christopher Parkes in Los Angeles

US motor industry executives claim to have won independent support for their campaign to change California's plans to introduce fixed quotas for battery-powered cars in 1998.

An expert panel appointed at the request of California Governor Pete Wilson, said a new generation of batteries capable of matching carmakers' criteria for the successful launch of mass-market zero-emission vehicles would not be ready until the turn of the century at the earliest.

"However... these promise major performance advances over existing lead-acid batteries, and their prospective higher costs appear to be balanced by good prospects for substantially longer life," the panel said.

The findings, presented at an open forum in Los Angeles on Wednesday, were seized on by executives who have been lobbying for almost five years against the sales timetable introduced by the California Air Resources Board.

Mr Frank Schweibold, for General Motors, said he was encouraged by the panel's assessment. "They have done us all a favour," he said. The report, prepared after meetings with leading battery-makers and researchers in the US, Japan and Europe, would help silence "braggarts" from small manufacturers who claimed to have mastered the technology.

"And the politicians have now got a chance to make a more objective assessment of the situation," he said.

The panel's findings tallied with the conclusions of a paper by the US Advanced Battery Consortium, a joint venture between industry, academics, power utilities and the federal government, which said volume production of basic but suitable batteries was not expected before 2000.

Even that timescale for so-called "mid-term" batteries assumed state and federal subsidies would be paid to make the vehicles affordable.

However, batteries capable of sustaining a "normal" competitive market would be even longer in development. Criteria for such power packs included doubling their projected useful life from five to 10 years, and reducing prices by a third.

Mr John Wallace, speaking for Ford, said with existing lead-acid battery technology, the seven large-scale motor manufacturers affected by the Californian mandate would not be able to attain the statutory 1998 target of zero-emission registrations equivalent to 2 per cent of all sales that year.

Mr Schweibold complained that setting an effective target of 40,000 obligatory sales to be shared between GM, Chrysler, Ford, Nissan, Honda, Mazda and Toyota was wholly at odds with the commercial realities of building markets.

Although the totals could be bolstered by similar regulations adopted by New York and Massachusetts and plans under consideration in nine other states, the industry is certain to continue its campaign against mandatory quotas wherever they emerge.

Most carmakers are now prepared to launch low-efficiency lead-acid battery cars in California at the appointed time, even though they remain convinced that the move is premature and that the vehicles' limited range and battery life will damage future prospects.

The panel's full report is expected to be presented to the Air Resources Board later this month and will play a central role in a scheduled final review of the situation next January after which the 1998 mandate is due to become irrevocable.

September wholesale prices up 0.3% in US

Wholesale prices in the US rose 0.3 per cent in September, the largest increase since January, led by a jump in food prices, the Labour Department said yesterday, Reuter reports from Washington.

The rise in the producer price index for finished goods, which had been expected by Wall Street economists, followed a seasonally adjusted 0.1 per cent drop in August and left the index 1.8 per cent above its level of 12 months ago.

Excluding the volatile food and energy components of the index, the so-called "core" rate of wholesale inflation rose 0.2 per cent last month after rising 0.1 per cent in August, the department said.

"These data do not worry me on the inflation front," said Mr Allan Leslie, chief economist at Zions First National Bank. "It would take at least two or three months of data with these size changes or greater to signal any meaningful uptick in inflation.

"We saw earlier this year big changes in the core and intermediate goods that never showed through to finished goods," he said. "I believe these changes will not show through to the finished goods."

In a separate report, the department said the number of workers applying for unemployment benefits for the first time rose slightly to a seasonally adjusted 348,000 in the first week of October from 342,000 in the last week of September. But the more stable four-week moving average of first-time jobless claims declined in the same period, to 347,750 from 351,750, the department said.

The reports follow recent indications the US economy is slowly regaining some of its momentum after growing at a meagre 1.3 per cent rate in the second quarter, its weakest quarterly performance in more than two years.

Today the department is due to release its consumer price index for September, the most widely used measure of inflation.

REPUBLICAN PRESIDENTIAL HOPEFULS: Gathering in New Hampshire after the first televised campaign debate of the season are (l to r) Sen Arlen Specter; Sen Phil Gramm; radio talk show host Alan Keyes; former Tennessee governor Lamar Alexander; millionaire publisher Steve Forbes; Senate majority leader Bob Dole; commentator Pat Buchanan; California representative Bob Dornan; Michigan businessman Morry Taylor and Sen Richard Lugar

IMF mixes stiff medicine for Venezuela

By Stephen Fidler, Latin America Editor

The administration of President Rafael Caldera of Venezuela, which since taking office in February 1994 has been a vehement critic of the International Monetary Fund, is now negotiating in earnest to obtain IMF finance.

Mr Luis Matos Azócar, Venezuela's finance minister, has extended his stay in Washington following the IMF and World Bank annual meetings in order to continue talks with the Fund. An IMF team is expected in Caracas in the next week or two.

The IMF conditions for a loan are expected to include a deep devaluation, a rapid end to exchange controls and measures to cut sharply a fiscal deficit this year of around 8 per cent of gross domestic product.

The Fund is likely to seek, among other things, an increase in the scope and rate of the partial 12½ per cent value added tax, a further increase in the price of petrol beyond that implemented last month, and budget spending cuts.

Mr Matos Azócar, who has already conceded the need for some of these measures, favours slower implementation. He has said he expects an IMF agreement by early December.

The negotiations come amid a significant deterioration in the country's external accounts. The Venezuelan bolivar, fixed officially at 170 to the dollar, continues to weaken in unofficial trading. The rate implied by the trading of the country's Brady bonds in Caracas fell this week through 300.

Foreign reserves have fallen to $9.29bn, according to the latest figures for mid-September, only slightly above the low of June 1994 which triggered the original imposition of exchange controls. Arrears to the Paris Club of creditor governments are now estimated at $850m, while the government is also behind in payments to domestic bond holders and suppliers.

According to Mr Paulo Leme, an economist with Goldman Sachs in New York, the government appears to have decided there is no alternative to an IMF programme.

The main questions that remain are whether the populist Mr Caldera will be able to accept the tough IMF terms and, if he does, the reaction of the Venezuelan people. "It's going to be a harder operation this time than in 1989," said Mr Leme. Then, an IMF-inspired programme including petrol price rises triggered riots in Caracas in which more than 300 people were killed.

Ecuador in crisis as vice-president quits

By Raymond Colitt in Quito

Ecuador's vice-president, Mr Alberto Dahik, has resigned after the supreme court issued an arrest warrant for him on charges of corruption.

The court's move has intensified the country's political crisis, pitting the two branches of state against each other in a battle that threatens to engulf the government.

Mr Carlos Solorzano, head of the supreme court, alleged there were indications that the vice-president had misused secret state funds. He ordered the freezing of Mr Dahik's bank accounts and instructed police to prevent Mr Dahik from leaving the country.

However, one official in Quito yesterday suggested Mr Dahik, who resigned on Wednesday night, had already been granted political asylum by "a friendly country."

Mr Dahik has maintained that the accusations against him are motivated by opposition to his economic reforms. He has acknowledged granting budgetary concessions and political appointments to the opposition Social Christian party in exchange for their support, but claimed this was a necessary part of governing and did not constitute bribery. Mr Dahik denies any misuse of state funds.

Mr Solorzano also alleged that the court's investigations into the corruption charges were being impeded by high-level officials. Earlier this week he was denied access to the central bank after President Sixto Durán Ballén on Monday issued a decree making himself the sole custodian of documents stored there. The microfilmed papers allegedly document the government's use of secret funds. The president insists Mr Solorzano cannot make them public because they contain state secrets.

Mr Durán Ballén said that despite attempts to destabilise his government, he would see through the end of his term with the determination to solidify a "still imperfect democracy."

"The country is living the most dramatic moments of its democratic history," said the president in a televised address. The current political system is "no longer effective in satisfying the needs of the country," he said.

Fears are growing that the government could be seriously weakened even if it manages to survive the crisis. A special assembly of congress has been called for next week to consider candidates for the vice-presidency.

During the administration, whose term of office runs until August, some 23 ministers have left office, many of them forced to resign or impeached by congress. Only last week Mr Abraham Romero resigned as interior minister, apparently over a disagreement with the president.

The political crisis has hit interest rates and the country's currency, while Ecuador's battered image is beginning to affect foreign investment. An international energy consortium interested in constructing a large hydro-electric plant recently withdrew its offer.

This is never having to wa

see what you've done. This i

wo

you

This i

a

a

People should never lose knowledge, creativity and forward thinking simply because someone didn't know how to share it. There is a space that lies between the time knowledge is acquired and things are created, and the time when things are shared on paper. □ This is the space where Rank Xerox works. And this is where a vision lives. **Introducing the Rank Xerox Document Centre.** The Document Centre is the new way to control and manage all of your documents on your network. From anywhere in the world. To anywhere. □ It goes beyond multi-tasking. It's far more than a package of functional shortcuts. In fact, you won't even find it where you're used to finding us. **It lives within your network.** Until now, offices have been networked, but documents haven't. □ The Document Centre features open system architecture that allows you to better manage and guide the documents created on your network, until they reach their final destination. It bridges the gap between electronic documents and paper documents. And it helps people work more efficiently

هكذا من الأصل

Conservative party conference Big effort is promised to give small businesses more help

Adams Nobel rumour prompts jitters

By John Kampfner, Westminster Correspondent

A robust defence by Sir Patrick Mayhew, Northern Ireland secretary, of the British government's strategy in the province was overshadowed yesterday by speculation about the Nobel peace prize.

Senior Conservatives last night expressed concern at the possibility that Mr Gerry Adams, Sinn Féin president, will win the award – which will be announced as Mr John Major, the prime minister addresses the conference today – along with the prime minister and other leading figures in the Northern Ireland peace process.

Sir Patrick was at pains to assure pro-unionists within Tory ranks that their cause had not been sold out. But he warned them a settlement must do equal justice to the nationalist community.

He restated the three conditions he set out in Washington in March for Sinn Féin to take part in all-party talks – a commitment in principle to decommission IRA arms; agreement on how this could take place, and "some actual decommissioning to show good faith".

"It is all about confidence. We want to see Sinn Féin in that process. But Sinn Féin are inextricably linked, now as in the past, with the IRA," he said in a speech which won an impressively long standing ovation.

However, senior officials were preparing themselves for what one of them described as "the most awful eventuality", of Mr Major having to share the Nobel rostrum – and the credit – with Mr Adams for the ceasefires. Ministers concede that a meeting between the two will have to be arranged at some point, possibly before President Bill Clinton visits Britain and Ireland at the end of next month. But they want it on their own terms.

Senior ministers have indicated that once the party conference is over efforts will be made to start intensive talks as soon as possible, including Sinn Féin and other parties. These would form the centre-piece of a "twin track" approach – political talks running concurrently with an international commission on paramilitary arms.

Mr Michael Ancram, Northern Ireland's political development minister, has refused to rule out the possibility that IRA weapons could be placed under military authority in the Irish Republic.

"That might be one of the elements an international commission will look at," Mr Ancram told a fringe meeting at the conference.

Anti-EU speech arouses anger of ministers

By John Kampfner, Robert Peston and Robert Shrimsley

Several leading cabinet members have expressed indignation at Mr Michael Portillo, defence secretary, for his fiercely anti-European speech on Tuesday. Mr Portillo's decision to raise the European stakes was seen by ministers as particularly insensitive because it came soon after the defection to the Labour party of Mr Alan Howarth, MP for Stratford-upon-Avon. Mr Howarth said he deplored the Conservatives' drift to the right.

Senior Conservatives fear further defections unless Mr Major responds to the assertion by Mr Tony Blair, the Labour leader, that under his leadership Labour has inherited the traditional Tory mantle as the party representing all British interests. Mr Major's speech today, at the culmination of his party's conference, is expected to respond to Mr Blair's challenge.

He is expected to adopt a measured tone on the European Union and also to attempt to dispel the government's image of being uncaring about the disadvantaged.

A senior spokesman for the European Commission, Mr Peter Guilford, took the surprising step yesterday of addressing a question directly to Mr Michael Heseltine, deputy prime minister, during a BBC television phone-in.

"How can Mr Heseltine reassure those Britons on this side of the Channel who are increasingly convinced that ministerial Brussels-bashing will erode Britain's influence in the European Union at a time when it needs it most, and may even help lose the Conservatives the next election?" Mr Guilford asked.

Meanwhile Mr Stephen Dorrell, health secretary and a minister seen as the rising star of Conservative moderates, said yesterday: "We must learn the language which allows us to express our European case . . . with confidence. When we find the language to do that we shall surprise ourselves by how many people agree with us."

Mr Heseltine has denied that his speech on Wednesday was a direct rebuke to Mr Portillo. He warned on Wednesday that "you can wrap yourself in a flag of any colour, and you can mouth whatever patriotic rhetoric the PR merchants can devise". On Tuesday Mr Portillo recalled the sacrifices of British troops in the second world war, and said the country was now blessed with soldiers willing to give their lives "for Britain, not for Brussels".

Old flames passing the torch: Baroness Thatcher, the former prime minister, with her successor John Major, was given a predictable warm welcome on the platform at the conference yesterday

● Most government departments are to appoint a minister with special responsibility for helping small businesses, said Mr Ian Lang, chief industry minister, our Chief Political Correspondent writes.

Mr Lang told the conference that the government had to do more to help the 3.6m small companies in the UK. He said that the 17 government departments which affect small companies would each designate one minister to look after the sector's interests in discussions on the development of fresh policies.

"The small-business agenda will now be central to the government's decision making process, as we seek to spread still wider and deeper the enterprise culture – that spirit of adventure – on which our future depends."

The Federation of Small Businesses said the announcement should lead to the development of a separate department for smaller enterprises. "It is the small firms which are creating the jobs in this country, and unless they are looked after we could end up with a jobless recovery," the federation said.

Mr Lang was cheered as he delivered a fierce attack on Labour plans for a minimum wage. "Imposing an artificial pay rise is the fastest and surest way to destroy jobs," he said.

Food price rises signal end to store wars

By Gillian Tett, Economics Correspondent

The supermarket price wars seen earlier in the economic recovery appear to have ended, official figures suggested yesterday.

Although food prices were flat, or even falling in the summer and autumn of 1994, they have risen sharply in the past few months. This pushed annual food price inflation up to 5.7 per cent in September, the Central Statistical Office said.

The rise was coupled with a sharp price rebound in the household and clothing sector, as shops sought to push through price increases on new stock after their extended summer sales.

These factors boosted the underlying rate of retail price inflation – which excludes interest payments on loans to buy homes – to 3.1 per cent in September, up from 2.9 per cent the previous month.

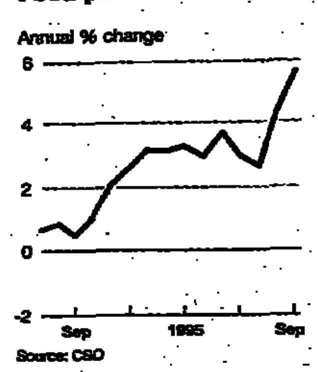
Measured without mortgage interest payments and indirect taxes – the Bank of England's preferred measure – prices rose by 2.6 per cent in the year to September, up from 2.5 per cent in August. The all-items "headline" inflation rate was 3.9 per cent, up from 3.6 per cent in August.

The sharp rise in food prices accounted for almost half of the increase in the headline rate between August and September, the CSO said.

Part of this increase reflected the unusually hot summer, which affected crops and slaughter patterns. Consequently, although seasonal food prices fell, they did not fall as much as last year.

However, the non-seasonal monthly food price rise of 0.4 per cent and 4.4 per cent over the year suggested that supermarkets were also pushing through price increases irrespective of the weather. Mr Ian Shepherdson, UK economist at Midland Global Markets, said supermarkets were "increasing their margins at an astonishing rate". He said this was evidence the recent large number of loyalty schemes introduced by supermarkets were a means to enable them to charge higher prices. "But some sort of price ceiling cannot be far away."

Food prices



Source: CSO

Other economists said the 1 per cent monthly rise in the price of household goods and 3.9 per cent rise in clothing prices was more striking. The pattern may partly reflect later-than-usual summer sales in August, but it also reawakened fears that any upturn in consumer spending later this year could further unleash inflationary pressures.

Mr David Coleman, economist at CIBC, said: "These sharp increases may well be unsustainable given the weakness of consumer demand, but it will be at least another month before this argument can be proven."

● The number of households whose mortgages are bigger than the value of their homes rose by 90,000 between the end of June and the end of last month to total 1.12m, according to Woolwich, the UK's third largest building society, Alison Smith writes. It is the first rise in negative equity since the third quarter of last year. Woolwich attributed it to the 1 per cent drop in house prices between the two dates.

The regions worst affected were north-west England and the east Midlands. For the first time in 18 months some households with negative equity were recorded in Scotland, although the total there – 5,000 – is still modest compared with other regions.

Exchange to amend rules on listings

By Norma Cohen, Investments Correspondent

The London Stock Exchange yesterday published amendments to its listing rules intended to put in place recommendations of the Greenbury Study Group on Directors' Remuneration by the end of the year.

The new rules affect accounting periods beginning after December 31 1995, instead of October 31 1995 as originally proposed.

Also, the amendments announced yesterday do not address the thorniest elements of directors' remuneration considered by the Greenbury committee – benefits paid under long-term incentive schemes, the prohibitions on discounted share options and the phasing in of option grants and the disclosure of pension benefits.

A further consultation paper on these important areas will be issued by the end of the month.

The exchange said that it had received more than 170 responses to its consultation paper on disclosure of executive pay in July and that a wide range of views had been expressed.

Mr Richard Kilsby, the exchange's director of market services, said: "Our discussions with companies and other market participants showed that further consultation is needed in relation to three elements of the Greenbury recommendations to ensure they are entirely clear before they can be incorporated into the listing rules."

In particular, a more precise definition of what constitutes a long-term incentive scheme needed to be developed before the exchange could require companies to seek shareholder approval for such schemes.

The exchange also said that actuarial bodies, which have issued recommendations on how to disclose the value of executive pension benefits, needed to reach a consensus on the best method for calculating those benefits.

Unions say offer is 'insulting'

Strike ballot to start soon at GM offshoot

By Robert Taylor, Employment Editor

A strike ballot will be held among Vauxhall's 9,000 manual workers over the next five weeks after union negotiators rejected a two-year wage offer from General Motors subsidiary. The unions have urged their members to vote for support industrial action including strikes.

The offer would bring a 3.5 per cent increase on basic weekly rates from this September and an increase next autumn equivalent to the rise in the retail prices index at July 1996. The package on offer was final, the company said last night. It would amount to a 5 per cent pay rise and a 1.5 per cent average improvement in real living standards.

National officers of the Transport and General Workers union and the AEEU engineering workers' union called the offer "insulting". They added they would be balloting the workforce at the company's Luton and Ellesmere Port plants with a unanimous recommendation to them to reject the offer.

"With an inflation rate now of 3.9 per cent, the offer means a wage cut for our members and it fails to recognise the substantial productivity improvements they have made for the company", said Mr Tony Woodley, the transport union's chief negotiator.

But a company spokesman said the offer was "very reasonable" in the difficult circumstances facing the company with "stagnant market conditions" in the UK and a profits squeeze. He added the company's manual workers were already among the best paid in the car industry with a production worker earning an average pre-tax £342.25p ($537.35) a week.

The company says rise sought by the unions would mean a two-year settlement with 40 per cent growth in pay rates and a shorter working week. Mr Roger Butler, chief AEEU negotiator with the company, said the unions were "absolutely determined to achieve a shorter working week". The Confederation of Shipbuilding and Engineering Unions is making shorter hours a priority in the bargaining round after launching a campaign in the summer to reduce the working week to 37 hours in manufacturing companies which still operate a 39-hour basic working week.

Non-union employees in the UK should have the same legal rights to representation, consultation and information on health and safety issues and as trade union members, says the Trades Union Congress today.

In an important shift in its policy the TUC now believes that more than two thirds of employees in the UK not in unions should enjoy the same level of health and safety protection at work as trade unionists. The TUC's new position comes on the eve of an inquiry by the government's Health and Safety Commission into workers' rights to information and consultation. The UK is obliged to align its laws with a European Union framework directive on health and safety at work.

Incentives on offer for N Sea oil terminal deal

By James Buxton in Edinburgh

The local authority of the Shetland Islands, off the north of Scotland, yesterday offered further substantial reductions on the sums it levies on oil companies for using the Sullom Voe terminal, provided they agree to keep the terminal open after the year 2000.

The cuts offered would mean a reduction of nearly £5m ($7.9m) in the council's annual revenues from the terminal, which this year had been expected to total £25m. Further cuts totalling £6.4m would be made after 2000.

The offer came after negotiations with terminal operator BP, which said the offer was a good one. BP will now put it to the 29 other oil companies which use the terminal.

The council is anxious that Shell and Chevron carry on piping oil from the Brent and Ninian fields in the North Sea to Sullom Voe when the current lease expires in 2000. Both companies have been studying the possibility to loading the oil directly onto tankers which they believe would be cheaper than the current cost of using the terminal.

Shetland Islands council said yesterday it would halve the £7m rent it receives from land at the terminal, backdated to April 1 1995. That is an improvement on its offer made at the start of negotiations, to halve the rent from next April. It would be further reduced by about £400,000 a year by relating it to actual rather forecast throughput – currently about 800,000 barrels per day.

From 2000 the council would forego the payment – currently £3.8m a year – it receives for disturbance to life on Shetland caused by the terminal. It would also relinquish the £1.8m it receives as return on capital for the loading jetties, while the council-owned Shetland Towage company would reduce the towage bill by £800,000 a year.

In return the oil companies would agree that all future oil from Brent and Ninian would go through Sullom Voe. The council would become involved in strategic decisions on marketing the terminal.

Mr Lewis Smith, the council convener, said the cost to the community of the terminal closing in 2000 was "far higher than anything conceded here." Closure would treble unemployment on the islands.

He said that although the disturbance payments would cease in 2000, the council had already amassed £180m in a charitable trust which was "self-sustaining."

The council hopes to reach agreement with the oil companies by the end of the year.

UK NEWS DIGEST

Industry chief demands reform for London

Free market solutions will not solve London's severe transport problems, said Mr Adair Turner, the new director-general of the Confederation of British Industry. The government and business should seek radical new forms of co-operation, he added. "When you are looking at transport systems for great cities you need more than simply a free market approach," he told the the London Region of the CBI in his first big speech since arriving at his new post last month. Mr Turner is a 39-year-old former management consultant who insists that he is apolitical, but his comments are likely to delight the opposition Labour party.

the CBI is now calling for a new central body to co-ordinate transport in London, playing a role similar to the Greater London Council which was abolished by the Conservative government in 1986. "At present there is no overall strategy," Mr Turner said. "It would be a miracle if there was, given the 60 or so different public bodies involved."

Gillian Tett, Economics Correspondent

Bondholders lose case

The Serious Fraud Office blocked an attempt by Barings bondholders to bring a private prosecution in UK courts against Mr Nick Leeson, the former trader responsible for the bank's collapse. Following the Serious Fraud Office's decision last week to take over the prosecution, City of London Magistrates Court dismissed eight summonses previously issued against Mr Leeson at the bondholders' request. The summonses contained allegations of obtaining money by deception and false accounting. The Serious Fraud Office repeated in yesterday's hearing that it was "not in the public interest" for Mr Leeson to be tried in the UK in the present circumstances. *John Mason, Law Courts Correspondent*

More cash for B&C creditors

Creditors of British & Commonwealth Holdings, the failed financial services group, and its B&C Group Finance subsidiary, are to receive a further £227m ($356m) following two out-of-court settlements. The conclusion of the long-running Quadrex and Caledonia legal disputes means that total payments to creditors of British & Commonwealth will amount to the biggest ever release of funds after a UK insolvency. As a result of settling the two disputes, creditors to B&C Holdings will receive £190m, equivalent to 15 pence in the pound, and creditors to B&C Group Finance £37m, equivalent to 5 pence in the pound.

This will bring the total paid to creditors of B&C Holdings to £600m, or 42 pence in the pound, and to B&C Group Finance creditors to £360m or 47 pence in the pound. Creditors to B&C Merchant Bank have already received £327m, or 100 pence in the pound. Under the Caledonia action the administrators faced a claim of £200m from a consortium of banks alleging breaches of covenant by B&C. Under the Quadrex claim Samuel Montagu, the merchant bank, had faced a claim for negligence over the 1987 takeover of Mercantile House Holdings by British & Commonwealth. Samuel Montagu is now an offshoot of HSBC Holdings. *Jim Kelly, Accountancy Correspondent*

Dominance of top schools ebbs

Alumni of Britain's non-state schools and the universities of Oxford and Cambridge still dominate corporate boardrooms. But their hold may be slackening. Of the 17,877 directors of publicly quoted companies listed in the Price Waterhouse Corporate Register, 1,639 went to either Oxford or Cambridge. The other universities represented are all large, old, established "civic" universities, although this may reflect the fact that students of the "new" universities founded in the mid-1960s, such as Warwick and Sussex, are not yet old enough to reach boardroom level. Eton is the most popular school, but there is evidence that the hold of public schools is weakening. According to a study by Professor Leslie Hannah of the London School of Economics, in 1993 half the chairmen of the top 50 UK companies by turnover were educated at state schools, while a further six went to grammar schools which are now independent but were state-maintained at the time.

John Authers, Public Policy Staff

The academic path to directorship

Number of directors

Top ten universities		Top ten schools	
Cambridge	945	Eton	216
Oxford	694	Rugby	92
London	598	Winchester	80
Manchester	240	Harrow	77
Edinburgh	128	Marlborough	67
Bristol	123	Charterhouse	60
Birmingham	118	Wellington	49
Glasgow	110	Uppingham	47
Leeds	98	Aberdeen Grammar	46
Sheffield	98	St. Pauls	46

Source: Price Waterhouse Corporate Register

Drugs seized: Eight people were questioned after Customs officers at the east of England port of Harwich seized drugs with a street value of £3m ($4.7m). Amphetamines and cannabis were found in a car arriving from the Netherlands.

Firework injuries increase: There were more than 1,500 injuries from fireworks in October and November last year compared with fewer than 1,100 in the comparable months of 1993 and only 805 in 1990, government figures showed. Household use of fireworks reaches its peak in Britain on November 5 in a commemoration of the early 17th century Gunpowder Plot in which rebels attempted to blow up King James I.

Road to the isles Long bridge from mainland is about to open

Gaelic helps to boost Skye economy

By James Buxton, Scottish Correspondent

The first thing you notice when arriving on Skye is that the road signs are in both Gaelic and English.

That might seem irritating to some people, but others believe it contributes to the fact that Skye, one of the most beautiful parts of the Highlands, is now one of the most flourishing.

This growth is expected to continue after next week's opening of the £25m ($39.5m) Skye Bridge replaces the five minute ferry crossing from the Scottish mainland.

The concession to build and operate the bridge was awarded in 1991 to the consortium of Miller Group, the UK construction company, Munich-based Dyckerhoff & Widmann (Dywidag), which designed it, and Bank of America, which is financing it.

The last census showed that the population of Skye and Lochalsh district, three quarters of whom live on the island itself, grew by 15 per cent between 1981 and 1991 – faster than any other local authority in Scotland.

The rise to 11,500 was entirely due to people moving in from England and other parts of Scotland. Although some of them were retired, most were in the economically active 20 to 44 age group. The number of self-employed people on the island has doubled and unemployment, once far above the UK average, is now only just above it.

The biggest businesses – salmon farming and fish processing – employ no more than about 40 people. A company making medical instruments employs 25 people. Otherwise most work in tourism or crafts. Some farm crofts in their spare time.

In the south-east of the island, Sabhal Mor Ostaig, a further education college which teaches business studies and broadcasting in Gaelic, employs about 40 people and has spawned a company providing English subtitles for Gaelic TV programmes.

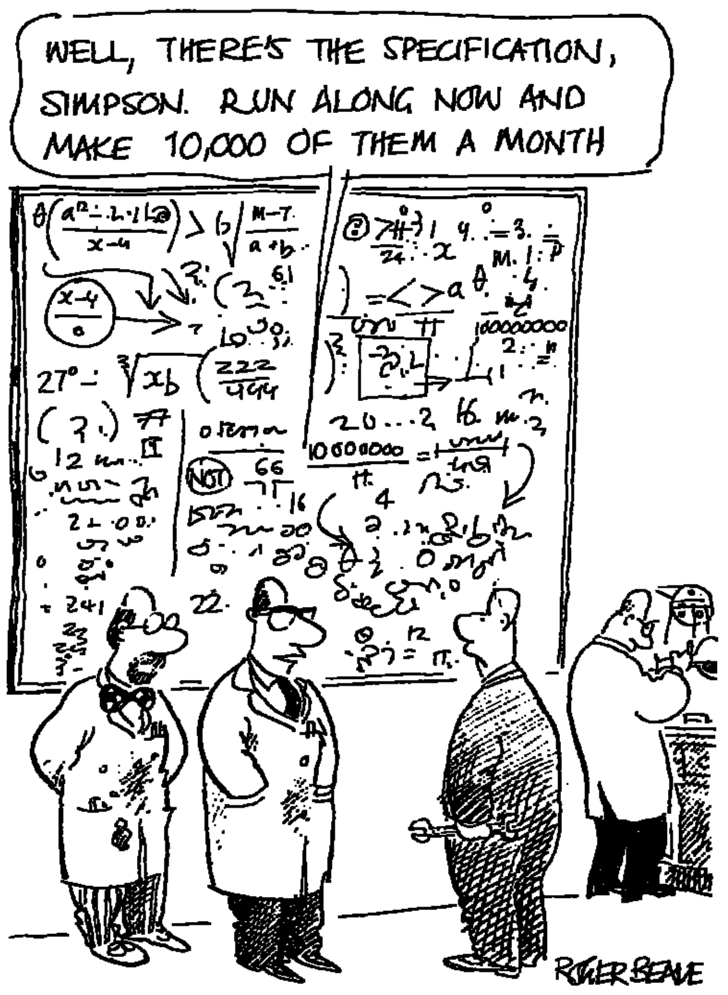
However, population growth has caused serious housing problems as incoming well-heeled people bid up house prices. There is a shortage of land for house building and not enough rented accommodation for low income families. The district council has taken over holiday accommodation – unused because of a slump in tourism in the early 1990s – to add to its rented housing stock.

Mr David Noble, chief executive of the council, says the bridge is likely to produce an increase in the number of day tourists to Skye. He admits there is something to be said for the high tolls on the bridge. "Without tolls there could have been real problems coping with explosive growth," he says. "But most people would prefer to take a chance on that and not have any tolls."

MANAGEMENT

Product development and manufacturing should be equal partners, says **Christopher Lorenz**

Process matters



Whenever Glaxo launches an exciting drug, Compaq an innovative computer, or Sony a piece of electronic wizardry, the product hits the headlines. But rarely is there much general interest in the process by which it is made, even if this involves an innovative breakthrough.

Only in rare cases, such as semiconductor manufacturing, Pilkington's float glass process, and the use of robots, is the public imagination caught by what goes on behind the factory walls.

Senior managers have much the same order of priorities, at least in most US and British companies. While product development is often given high corporate status these days – albeit still below finance and marketing – production tends to trail behind as the poor relation.

It is now frequently seen as so unimportant that it can be outsourced completely to sub-contractors or joint venture partners. Only in mature, commodity businesses with fairly stable product designs does production innovation generally attract the managerial attention it deserves.

Even ICI, the UK chemicals giant, admitted recently that some of its businesses were deficient in this respect.

The example set by production innovators such as Toyota and Intel has helped improve the balance of power within Anglo-Saxon enterprises since the early 1980s, but still not to the level common in manufacturing-minded Asian, German and Swedish companies.

This is hampering the efforts of many companies to make product development and manufacturing equal partners for the first time – even to integrate them – in order to accelerate the speed at which they push new product designs from concept to the market.

Yet in some respects the "product first, process second" mentality has respectable-looking roots. Directly or through the influence of business academics and consultants, western managers in many industries have been brought up on an influential "model" of product and process innovation which suggests that, during the formative period of a new product technology, the processes used to make it are usually quite basic. Only as the pace of product innovation slows, and price and other competitive factors become more important, does the rate of process innovation rise.

The model was first developed 20 years ago by James Utterback and the late Ralph Abernathy, academics from MIT and Harvard respectively, after researching innovation in several US industries, including cars. Utterback re-assessed the model last year in *Mastering the Dynamics of Innovation**.

In this book he made clear that it was not applicable to non-assembled products such as chemicals and glass. Nor was it intended to be prescriptive: rather, he said, the approach had cramped the ability of the US motor industry to innovate as rapidly as the Japanese. "We never said it was a universal law, nor that it would apply forever – we said it was a trap," he says now.

Yet many managers still take it as gospel, and are damaging their companies in the process.

Clear evidence of this has been found by two Harvard academics, Gary Pisano and Steven Wheelwright. Writing in the current Harvard Business Review**, they suggest that in a growing number of high-technology industries – such as pharmaceuticals, medical equipment or disc drives – it has become vital to excel at the simultaneous development of new products and new processes, rather than undertaking them sequentially. Yet they found that managers in many of those industries still seriously under-rate process innovation and devote far too few resources to it.

In a study of 23 large development projects carried out at 11 US and European pharmaceutical companies up to 1994, the researchers saw many instances in which problems in developing the process either delayed a product's launch or inhibited its commercial success once it was on the market.

They cite the recent example of an (unnamed) pharmaceutical company which spent 10 years and more than $100m (£67m) developing a new anti-infection drug, but paid little attention to the process development side of the project until the drug had won US government approval for commercial marketing, even though it was obvious that breakthrough production technology was needed. As a result, the company could not meet initial demand for two years, lost potential sales, and failed to penetrate the market while it had an exclusive position. A rival drug is about to be approved.

Pisano and Wheelwright report that many executives in high-tech industries said they had not made process development a priority because they saw its main benefit as being lower manufacturing costs, which are often irrelevant for innovative products which can command high prices. Current market pressures were at last making the drug industry executives more concerned about manufacturing, but they were focusing just on reducing the cost of existing – inadequate – processes, rather than developing better ones.

This attitude, say the academics, ignores the many other benefits of process innovation.

These include helping to accelerate the production ramp-up and "time-to-market" for new products, and improving product features such as weight, consistency and reliability.

Utterback has mixed feelings about the continued influence of his and Abernathy's model.

While he objects to the way it has been misunderstood and misapplied, he stresses that "its most basic message remains valid: that product and process are closely linked, and you always need to pay attention to both".

It is high time every manager recognised that.

* *Mastering the Dynamics of Innovation. HBS Press £21.95.*
** *The New Logic of High-Tech R&D. Reprint no 95506. Fax: US 617-495 6192.*

Arresting warrants for Sony executives

Emiko Terazono describes the company's new remuneration scheme

Japanese executives are hardly famous for extravagant remuneration packages. Since corporate earnings are seen as a group effort, the idea that executives are individually compensated for good business results has hardly existed in Japan.

However, this may be slowly changing. In an attempt to shift to a more market-oriented approach to executive pay, Sony, the Japanese electronics concern, in September handed out warrants to its board members in lieu of the annual increase in basic salaries. Warrants are securities giving the holder the right to subscribe to a company's stock at a given price during a given period.

The idea, says Sony, is to give executives more incentive to work for the company's profit growth, which in theory should push up its stock price. Sony's executives will have the right to buy shares at the subscription price of Y5,330 (£33.50) – between now and August 1999 – against the current market price of Y5,100 – so they will benefit only if the share price rises. "It's a challenge, but at the same time it's very interesting," says Sumio Sano, a managing director and one of the 36 board members who received the warrants.

The scheme also makes executives more aware of shareholders' interests, says Sano. Japanese companies have traditionally neglected the shareholder, reinvesting earnings rather than increasing dividends. Unlike the west, where shareholders have a say in corporate management, in Japan they are mere investors.

Sony, which is the first Japanese company to implement such a scheme, says it had wanted to offer its board members stock options, which are commonly used in the west. But this had not been viable since Japan's commercial laws bar corporations from buying their own stock and hence preventing them from owning treasury shares. Instead, the company will issue new shares to executives when they exercise their warrants.

Sony's move comes at a time when the typically egalitarian compensation system of Japanese companies, where the salary differential between executives and ordinary workers is relatively small, has been blamed by some analysts for stifling the creativity of managers and discouraging strong leadership. Critics claim that in order for companies to recover from the prolonged earnings slump, executives should be evaluated according to their performance, providing those who contribute to higher performance with salary incentives.

The Sony move also coincides with an increase in the number of Japanese companies which are focusing on improving productivity of their white-collar employees. More companies are showing interest in a results-oriented remuneration system and are reviewing their traditional compensation schemes based on seniority.

The idea is to give executives more incentive to work for the company's profit growth, which in theory should push up its stock price

The seniority pay and promotion system, where compensation and promotion are determined by the length of employment, has been one of the main characteristics of Japanese-style management. Until recently, it has fitted in neatly with the country's age-graded Confucian tradition and helped implant employees' loyalty to the company. But the system has become a burden on companies in recent years, as economic and corporate profit growth has decelerated. The automatic pay increase granted with each additional year of employment has also decreased the incentive to increase productivity and creativity among employees.

Honda, the car manufacturer, is one company which is trying to phase out seniority pay. It implemented a merit pay system for managers in 1992, where salaries are reviewed every year, while Fujitsu, the electronics maker, began tying managers' bonuses to their individual performance.

However, these companies are among a minority, and the overall shift to western-style management practices has remained limited. Harmony within the group is still a preoccupation for many companies, which remain suspicious that a wage system based on job performance would create friction within the organisations.

Another problem has been the lack of a systematic measure of job performance, as many companies do not have the means to evaluate white-collar productivity. According to the Japan Productivity Centre for Socio-Economic Development, a quasi public research group, only 3.3 per cent of some 300 leading companies surveyed had adopted merit pay, while 70 per cent said they were not interested.

A separate report by the same group on merit pay indicated that 86 per cent of the companies surveyed were concerned over the lack of evaluating results, 32.2 per cent noted that linking corporate performance and compensation would increase pressures to produce short-term results, while 19 per cent said merit pay went against the culture which stresses harmony and stability.

Sony's warrant scheme, though, has generated interest among many companies, including venture start-ups. One drawback is that executives have to pay income tax on the theoretical value of the warrants when they are granted by the company. In addition, the executive is taxed again when the warrant is exercised and sees a capital gain after selling the stock.

Despite these handicaps Sony has made it mandatory for executives to partake in the programme – "everybody eventually agreed that it was part of a board member's responsibility to receive them," says Sano.

The group mentality, it seems, is still alive and well.

ARTS

Togetherness, passion and denial

Ian Shuttleworth reviews O'Casey, Verga and Coward at the Citizens' Theatre, Glasgow

The October theme at the Citizens' seems to be togetherness, in terms of programming at least: the shows in the Citz' three spaces nestle comfortably beside each other on alphabetically arranged listings pages, and their intervals also happen to coincide – a situation which may foster a sense of community among the audiences, but no doubt drives the bar staff frantic. The fare itself comprises the poetical grime of Sean O'Casey, a late, reflective piece by Noel Coward and the slice of late 19th century Sicilian *verismo*, and each production contains enough to sustain interest without arousing great passion.

In the main theatre, O'Casey's *The Shadow of a Gunman* asserts itself again as a more likeable play than either *The Plough and the Stars* or *Juno and the Paycock*. Kenny Miller's design spreads the Dublin tenement room over as much of the stage as he can manage in the grandiose squalor which characterises modern O'Casey sets; a shabby partitioning curtain is occasionally used as a "wipe" across the stage, to facilitate hidden entrances and exits. But the core of the play in performance is not the fatal consequences when poetaster Donal Davoren allows the tenement folk to believe he is an IRA gunman in hiding, but the relationship between Davoren and Seumas Shields.

This kind of disjunction – the bookish, Shelley-spouting Davoren and Shields, a huckster maddened to find that his latest job-lot of cutlery only contains 11 spoons in each dozen bundle – is the stuff of a fine comic double act; Lalor Roddy and John O'Toole mesh well together, playing the comedy in the script with an unobtrusive flair that can fool an audience into missing several of the gags.

The descent into catastrophic tragedy is similarly kept on this side of melodrama by director Jon Pope; the irruption of one of the hated Black and Tans carries menace rather than stage villainy, and the duo – being one half atheist and both halves male – bring to their grief none of the extravagant martyrdom of O'Casey's Catholic mothers. Pope cannot resist the pointless symbolism of having a mute little boy appear every so often, but for the most part we are mercifully free of the operatic excesses which dog so many productions of this playwright's work.

Passions eventually run high in Giovanni Verga's *The She Wolf*, in the Stalls Studio. It takes half an hour of low-key capering, brawling and proverb-sparring among the workers on a small Sicilian farm before the story begins to emerge, of widow Pina's desire for Nanni Lasca, who is in turn more interested in Pina's daughter. A number of years have passed before the events of the second act, which climaxes in a battle of Lorca-esque intensity between Mara, now Lasca's wife, and her returning mother.

As Pina, the predator who gives the play its title, Yolanda Vasquez is terrific, rendering the small space even more claustrophobic with the ferocity of her frustrated desires. She is given no serious competition either by Patti Clare, whose Mara never quite seems to be fully *present*, or by Paul Albertson, whose initial adolescent inarticulacy as Lasca gives way to a two dimensionality as a man caught between competing female forces. Stewart Laing has staged the first act in particular with a keen sense of the early dramatic realism of Verga's writing, but cannot avoid being overwhelmed by the fervours of the second act.

Above in the Circle Studio, the denial of such passions is the focus of Noel Coward's last full length play *A Song at Twilight*. Sir Hugo Latymer, the admired writer and wit who brutally refuses to admit his homosexuality, is a Dorian Gray-like self-portrait, but it is Hugo's former mistress Carlotta and his wife Hilde whose speeches about embracing, or at least accepting, his real nature resound with the author's own hopes.

Robert David MacDonald plays Hugo as a more bilious John Le Mesurier, so used to suppressing genuine emotion that he has forgotten how to feel it; Roberta Taylor's Carlotta argues against him with the sometimes excessive zeal of a Portia when giving voice to the author's not-so-secret heart. Although Coward's dramatic craft is on full display, it is a strangely naked play with an honest sadness underlying much of the dialogue. Pound for pound, Giles Havergal's unforced production packs the greatest intellectual and emotional impact of the three shows.

All three productions at Citizens' Theatre, Glasgow, until October 28 (0141 4290022).

Theatre/Sarah Hemming

This rat still rattles in our skulls

Ron Hutchinson's 1980s play about the Irish Troubles earns its distinction as a Royal Court classic

Audiences travelling to Wednesday's first night of *Rat in the Skull* may have journeyed by tube without a second thought, passed by litter bins without a second glance, and scarcely noticed oddly parked cars or tatty holdalls abandoned in corners. Not so the audiences in 1984, when Ron Hutchinson's play about the Troubles had its premiere at the Royal Court. Then bomb threats were a constant reality and Hutchinson's brilliant, dark play hit home – plugging straight into the fear, tension and fatigue of the time.

So, 12 years on and with a peace process underway, how does it look now? Revived by Stephen Daldry as the first "Royal Court Classic", does it earn that distinction, or remain a period piece, a slice of strong but topical drama? The answer is that it more than justifies this second look. Of its time, but not restricted to its time, the play brings back all the bowels-to-water fear of that bleak era, but now that we can draw back from the immediate impact, its more universal dimensions become apparent.

Set in London's Paddington Green police station, Hutchinson's play focuses on an encounter between a suspected IRA terrorist, Roche, and the RUC policeman, Nelson, brought over from Belfast to "turn" him. But, just as Nelson reaches his target, he blows the whole exercise by beating Roche up. At the play's heart is the superbly written interrogation, in which Nelson cajoles and threatens Roche with a litany of all that lies between them.

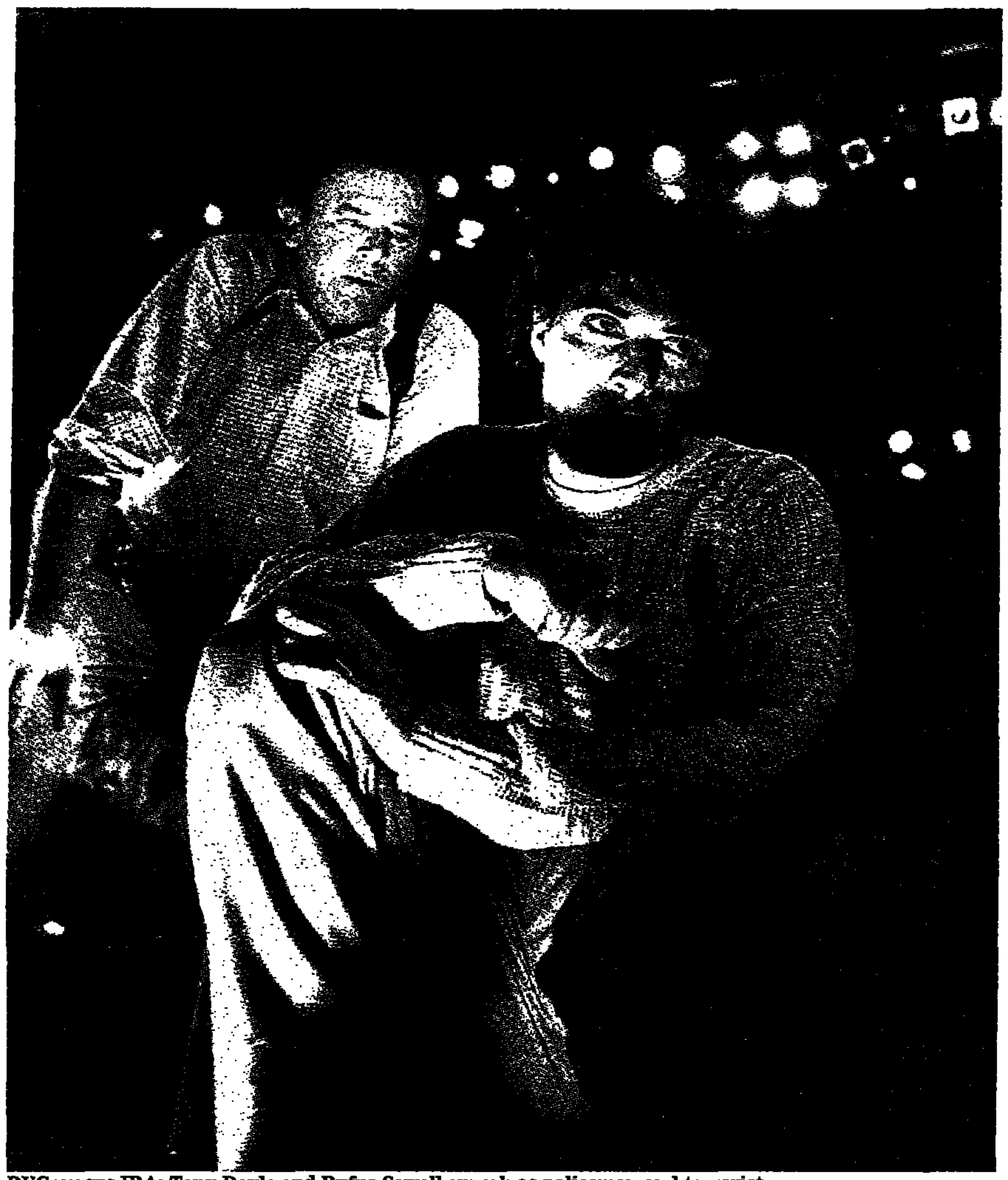
The speech serves as a history lesson, but it also anatomises shrewdly the bloody, knotty ties that bind them together. As the play progresses, it becomes clear that, divided as they are, the two men are united in a way incomprehensible to the English. The rat in the skull of the title is the nagging doubt, voiced by Nelson, that perhaps all the bloodshed might not be worth it after all, that the "holy war" amounts to nothing more than "two fellas in a ditch, clubbing each other till one dropped dead".

Stephen Daldry's blistering production goes straight to the core of the play with a staging that emphasises the isolation of the two men. William Dudley's set performs radical surgery on the inside of the Duke of York's Theatre, turning it into an open space by virtue of scaffolding and vast metal walkways, while Roche's cell is an earth-strewn pit in the centre. This brutal, cold setting brings a frisson of excitement to the evening and also pulls you right into the action. Audience members in the stalls are virtually under the feet of the policemen as they stride around, boots clanging on the metal.

There is a price to pay – initially this opens out what is essentially a tight, focused drama. But the play soon asserts its hold and in every other respect the production is utterly gripping, and superbly performed by the cast of four. John Castle and Pearce Quigley offer fine support as the two English coppers, while Rufus Sewell and Tony Doyle are beautifully matched as Roche and Nelson. Sewell twitches and fidgets like a caged wild animal, and Doyle gives a towering performance as the tight-lipped, ruddy policemen. His long monologue is wonderfully controlled, feeling every nuance in what his character refers to as "the grammar of hate" and revelling in Hutchinson's harsh, brutal, musical use of language, and the way words can both reveal and conceal.

You are left with a searing dissection of the indecent closeness of hate that, for all its harshness, is full of compassion and sorrow. Seen now, the play makes you feel even more keenly the need for peace. Paradoxically, it is in the very precise nature of the play that its broader significance lies. Hutchinson's analysis of the Irish problem puts you in mind of every other tortuous, bloody conflict. Watching it, I found myself wondering how many soldiers caught up in the Bosnian conflict have heard the rat scuttling round their skulls.

Continues at the Duke of York's, London WC2 (0171-836 5122).



RUC versus IRA: Tony Doyle and Rufus Sewell superb as policeman and terrorist Alastair Muir

Life in the Bush of Ghosts

Amos Tutuola's Yoruba novel *My Life in the Bush of Ghosts*, at Notting Hill's Tabernacle, has been dramatised by fellow Nigerian playwright Bode Sowande. But it is not an alien piece of exotica from a dark continent. It has much in common with a European tradition. And as an artistic collaboration, it is exemplary. Sowande's West African drumming-and-theatre troupe, Odu Themes, provides bed-rock experience in an ensemble celebration by the vivacious Royal Court Young People's Theatre of west London.

Although they do not speak with the Nigerian lilt in which Sowande writes, the huge company is multi-ethnic and many-voiced. The narrative thread is woven between four performers playing the little boy who adventures through the twilight world of ghosts. His curiosity takes him on a rite of passage: from the sensory (smelly ghosts) via the grotesque (the mother-monster ghost who lops off her children's heads) to the sensual (the graceful balletic antelope who, mischievously, metamorphoses into a Superlady ghostess).

The boy wittily calls it "beating about the bush", and there is a shaggy dog story compulsion. But the bush – as, post-Freud, we have come to expect from tales and in dreams – is also the dark side of the imagination, the territory in which we explore our illicit fears and ultimately discover our whole selves. His journey helps the boy to find an earthly soul.

Tutuola's story is rooted in myth and folklore, and in the wise magical realism we find emulated by younger Nigerian novelists like Ben Okri or 'Biyi Bandele Thomas. Sowande dramatises it with impressive theatricality. The piece is child-like, imaginative, revealing. There is even a naiveté in its patterning – within each episode, marvels only happen on the third occasion. There are other fairy-tale ingredients: the boy is transformed into a horse, then into a cow (with deadpan humour – "a man who has not changed into a cow cannot understand the misery of it").

Bode Sowande's language is simple, direct, effective: we almost smell the "roasting yams by the fire". An exciting production is spirited along by some stirring rhythmic drumming (musical director: Oyetunji Oyelana) and Peter Ogunwale's choreography, performed with determined gusto. Around the earth-floor arena we gladly sit cross-legged for an hour and a half of magical story-telling. It affirms our own cultural diversity.

Simon Reade

Music in London/David Murray

Some Northern Lights are brighter than others

Just as the Kuhmo Chamber Music Festival players were returning to Finland after a happy five-day occupation of the Wigmore Hall, the London Philharmonic struck up "Northern Lights", their "exploration of Scandinavian music from the last century to present day". A ridiculous billing for this pair of concerts (one given by the LPO's youth orchestra): they comprised merely the eternal Grieg piano concerto, Nielsen's familiar Fifth Symphony, two standard works by the young Sibelius – *Finlandia* and the First Symphony – and two recent pieces by the Danish composer Poul Ruders.

The second concert, in which Franz Welser-Möst conducted the grownup LPO, included the premiere of Ruders' Piano Concerto. Mostly light-fingered and light-textured, conversational in tone, not quite tonal but never abrasively atonal, it went down pleasantly enough without leaving any strong impression. The finale, a brief *Rondo prestissimo*, bursts into strings of parallel triads, which may be exuberant or pop-ironical or just an easy sell-out.

The expert soloist Rolf Hind seemed to be playing chiefly for the front stalls, but that might be the kind of address that Ruders' score expects. His piano writing is whimsical-spidery in the first two movements, mostly confined to the upper range of the keyboard: difficult to make public points with that. Despite the thin, airy orchestral texture, the music became quite opaque as the instrumental voices multiplied in the opening movement. That might have been the conductor's fault, or the composer's – or perhaps the composer's intention.

Welser-Möst allowed his timpanist to turn *Finlandia* into a solo concerto. He must dislike the piece. Even the heavy brass shrivelled beneath the battering. The First Symphony got a lean, tight reading, intelligent without much warmth.

Seppo Kimanen's Kuhmo troupe had given us far more last week. Its programmes teemed with anything from a solo performer to a chamber string-orchestra (the bright young Virtuosi di Kuhmo). Classic masterpieces for ballast, forgotten salon pieces and modern things too, with the usual soft spot for Russians and turn-of-the-century French; and occasional deadpan japes – a "Tango pathétique" with heads swivelling on the downbeat, a Mozart flute quartet invaded by everybody's mobile telephones.

Striking rarities included Georges Enescu's gypsy-ish Sonata no. 3 (a sensational performance by the violinist Peter Csaba), and Ernst Kovacic in the once-notorious George Antheil's *fauviste* Sonata (with Julius Drake playing piano *and* drums). As always, Kimanen's off-hand introductions were mined with ultra-dry Finnish jokes: "The Swedes do have something that we don't: good neighbours."

The Kuhmo style is a marvellous tonic. Enthusiastic up-front performances, tireless rediscoveries of music none of us knows; no constipated formality. Here in London, our nearest equivalent (not *very* near) is the much-loved but sedate Nash Ensemble, whose audience grows ever older. They should try taking the tonic.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

GALLERIES
Stedelijk Tel: (020) 573 2911
● Christiaan Bastiaans: giant video installation; from Oct 14 to Nov 26
OPERA/BALLET
Het Muziektheater Tel: (020) 551 8922
● Moses and Aaron: by Schoenberg. A new production directed by Peter Stein and conducted by Pierre Boulez. Soloists include David Pittman-Jennings as Moses and Chris Merritt as Aaron; 8pm; Oct 15 (1.30pm), 17

■ BALTIMORE

CONCERTS
Symphony Hall Tel: (410) 783 8000
● Baltimore Symphony Orchestra: with soprano Janice Chandler. Christopher Seaman conducts Bach, Villa-Lobos, R. Strauss and Schumann; 8pm; Oct 13, 14, 15 (3pm)
● Baltimore Symphony Orchestra: with soprano Harolyn Blackwell, mezzo-soprano Delores Ziegler and tenor Karl Dent. Robert Shaw conducts Barber and Mozart; 8.15pm; Oct 19
GALLERIES
Baltimore Museum Tel: (410) 396 6310
● Parallels and Precedents: 19th century French art from the George A. Lucas Collection. The exhibition highlights the parallels between the Lucas Collection and permanent collections in the BMA and the Walters Art Gallery with more than 100 pieces by artists such as Monet, Matisse and Pissaro; to Oct 15
OPERA/BALLET
Lyric Opera House Tel: (410) 727 6000
● La Traviata: conducted by Alfredo Silipigni and directed by Frank Corsaro. Cast includes Daniela Longhi/Maria Pellegrini, Nicole Biondi and Steven Rainbolt; 8.15pm; Oct 14, 18 (7.30pm)

■ BARCELONA

GALLERIES
Fundación Joan Miró Tel: (93) 329 1908
● Oix, Reus, Paris, London - That's How I Wander...: installation by the group of artists, Fundació Joan Tabique. 13 trunks filled with momentos and dreams of childhood reflect a voyage through time and memories; to Nov 19

■ BERLIN

OPERA/BALLET
Deutsche Oper Tel: (030) 34384-01
● Götterdämmerung: By Wagner. Conducted by Jiři Kout and directed by Götz Friedrich, this performance concludes the complete cycle; 5pm; Oct 15
● Madame Butterfly: by Puccini. Conductor Sebastian Lang-Lessing, production by Pier Luigi Samaritani; 7.30pm; Oct 13

■ BRUSSELS

CONCERTS
Beaux-Arts Tel: (02) 507 8200
● Monnaie Symphony Orchestra: Antonio Pappano conducts Webern, Schoenberg and Brahms; 8pm; Oct 15

■ LONDON

CONCERTS
Royal Festival Hall Tel: (0171) 928 8800
● Philharmonia Orchestra: Christoph von Dohnányi conducts Richard Rodney Bennett and Mahler; 7.30pm; Oct 19
● The London Philharmonic: with soprano Rosalind Plowright and the London Philharmonic Choir. Roger Norrington conducts Beethoven, Gluck, Weber, Berlioz and Spontini; 7.30pm; Oct 15
● The London Philharmonic: Roger Norrington conducts an all-Berlioz programme; 7.30pm; Oct 18
GALLERIES
Photographers Gallery Tel: (0171) 831 1772
● Appeal to this Age: photographs of the American Civil Rights Movement by artists such as Gordon Parks and James Karales; to Oct 14
OPERA/BALLET
Royal Opera House Tel: (0171) 304 4000
● The Marriage of Figaro: by Mozart. Conducted by Bernard Haltink/David Syrus and directed by Patrick Young. Soloists include Felicity Lott/Cheryl Studer, Andrea Rost/Barbara Bonney and Robin Leggate/Ryland Davies; 7pm; Oct 13, 16, 18
● Tosca: by Puccini. Conducted by Simone Young and directed by Jeremy Sutcliffe. Soloists include Galina Gorchakova, Johan Bohta and Francis Egerton; 7.30pm; Oct 17

■ NEW YORK

CONCERTS
Alice Tully Hall Tel: (212) 875 5050
● Lincoln Center Jazz Orchestra: Wynton Marsalis conducts a programme that includes Ellington, Monk and Mingus; 8pm; Oct 16
Carnegie Hall Tel: (212) 247 7800
● The Met Orchestra: with bass baritone Bryn Terfel. James Levine conducts Mahler's "Kindertoten lieder" and "Symphony No.6"; 3pm; Oct 15
GALLERIES
Metropolitan Tel: (212) 879 5500
● Goya: more than 350 paintings, drawings and prints in chronological order by the Spanish master Francisco de Goya y Lucientes; to Dec 31
Museum of Modern Art Tel: (212) 708 9480
● Annette Messager: retrospective of the French artist consisting of books, photographs and installations that demonstrate how all things can represent objects of expression; to Jan 16
THEATRE
Atlantic Tel: (212) 645 1242
● Dangerous Corner: by J.B. Priestley. Directed by David Mamet; 8pm
Martin Beck Tel: (212) 239 6200
● Moon Over Buffalo: by Ken Ludwig and starring Carol Burnett and Phillip Bosco as husband and wife; 8pm
Roundabout Theatre Company Tel: (212) 869 8400
● Company: by Stephen Sondheim and George Furth and directed by Scott Ellis. Cast includes Boyd Gains, Debra Monk, Charlotte d'Amboise and Kate Burton; (not Sun)

■ PARIS

Champs Elysées Tel: (1) 49 52 50 50
● José van Dam: bass baritone accompanied by pianist Maciej Pikulski plays Schubert's "Le Voyage d'Hiver"; 8.30pm; Oct 14
● National Orchestra of France: with bass baritone José van Dam. Serge Baudo conducts Berlioz, Delibes, Massenet and Wagner; 8.30pm; Oct 17
GALLERIES
Jeu de Paume Tel: (1) 47 03 12 50
● Jeff Wall: photographs by the Canadian artist; to Nov 26
Musée d'Art Moderne, Ville de Paris Tel: (1) 47 23 61 27
● Beauty and the Beast: a selection of young American artists; to Nov 19

■ STOCKHOLM

GALLERIES
Pro Persona Tel: (08) 20 44 27
● Kjell Engman: contemporary sculptures in glass and metal; from Oct 14 to Nov 11

■ WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● National Symphony Orchestra: with pianist Horacio Gutiérrez. Raymond Leppard conducts Brahms' "Tragic Overture" and "Piano Concerto No.1" and Schubert's "Symphony No.4"; 7.30pm; Oct 13, 14
● National Symphony Orchestra: with pianist James Tocco. George Manahan conducts Debussy's "Iberia", Stravinsky's "Concerto for Piano and Wind Instruments" and Rachmaninov's "Symphonic Dances"; 8.30pm; Oct 19
● Washington Chamber Symphony: Stephen Simon conducts Vivaldi, Argento and Haydn; 7.30pm; Oct 13, 14
GALLERIES
National Gallery Tel: (202) 737 4215
● A Great Heritage: Renaissance and Baroque drawings from Chatsworth consisting of 105 works by artists such as Rembrandt, van Dyck and Raphael; to Dec 31
OPERA/BALLET
Kennedy Center Tel: (202) 467 4600
● Suzanne Farrel Staged Balanchine: an evening of George Balanchine choreographed pieces performed by the Washington Ballet. The programme includes "Chaconne", "Slaughter on 10th Avenue" and "Tzigane"; 8pm; Oct 17, 18, 19
THEATRE
Arena Stage Tel: (202) 488 3300
● The Plough and the Stars: by Sean O'Casey. Tragicomedy of urban warfare during the Easter Rebellion against the British. Directed by Kyle Donnelly; to Oct 15

WORLD SERVICE
BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
(Central European Time)
MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 14.00 of European business and the financial markets

17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

A marriage of mistrust

Wolfgang Münchau on the troubled ties between Fokker and its German parent

For some, Wednesday's steep fall in the share price of Fokker, the Dutch regional aircraft maker, was a triumph of hope over reality. The false rumour that triggered the 20 per cent fall in the share price was that the company had gone bust.

"This would have been too good to be true," was the dry comment of one Frankfurt-based share analyst. "The best thing that could have happened to Daimler-Benz [the German industrial group which is majority owner of Fokker] is for Fokker to go out of business. It would have been an end to terror, as opposed to a terror without end."

Harsh German public opinion already points at Fokker, which has been making heavy losses for several years, as the main – if not the only – culprit behind the acute difficulties at Daimler-Benz Aerospace (Dasa). Dasa will later this month present what is expected to be one of the most radical cost-cutting programmes in the history of German industry.

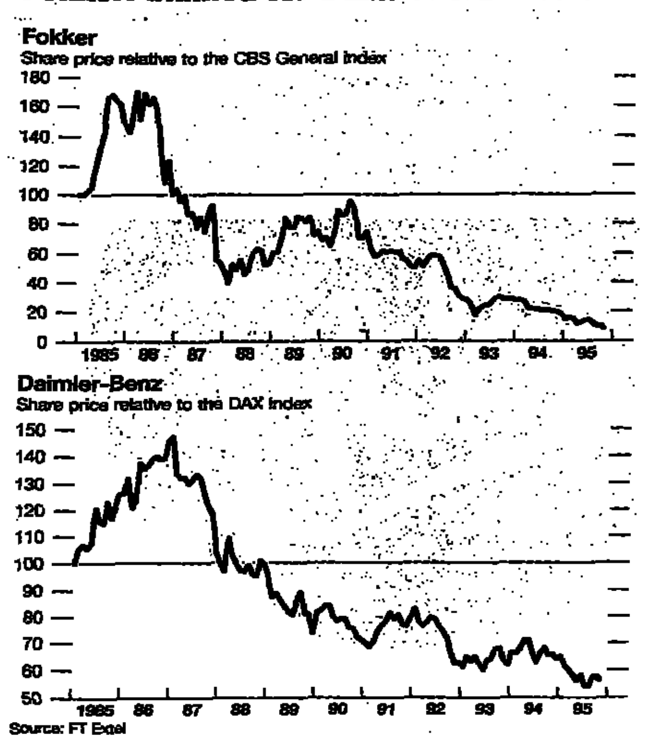
Up to 15,000 German jobs may have to go, along with three production plants. The programme could mark the beginning of the end of a sizeable German-based aircraft industry, and has turned into a sensitive political issue involving the federal authorities and several state governments.

There is a growing belief among Dasa employees and the German public that each job saved in the Netherlands is a job lost in Germany. These German assumptions are fuelled in part by hostile reports in the German media, and they add to the bad feelings between many Dutch and German people.

But German fears are not wholly unfounded. The contract between Dasa and Fokker gives Fokker the technological and manufacturing leadership for the production of all the group's regional aircraft with between 65 and 130 seats, excluding the Airbus 319. This allows Fokker to exert considerable influence in the allocation of production work in European factories.

Fokker, however, denies that the system deprives German factories of work. "If Fokker crashes, between 1,000 and 1,500 employees in Hamburg will lose their jobs," Mr Ben van Schaik, chairman of Fokker, warned in a recent interview in a Dutch newspaper. He appeared irritated at the hysteria in Germany. "In the Netherlands we are in a position to evaluate matters more realistically than in Germany," he said, evidently playing to a domestic audience.

Fokker: blamed for Daimler's difficulties



Source: FT Extel

Fokker has firmly denied the rumour that it has suspended payments to creditors, pointing out that it has received a bridging loan from Dasa which should tide the company over into the next year. Yesterday the shares recovered most of their earlier losses, rising Fl 1 to Fl 7.

Dasa, meanwhile, denied that it had pulled out of negotiations with the Dutch government over a financial package that should keep Fokker afloat well beyond next year. These negotiations follow Fokker's recent announcement of a loss of Fl 651m (£259m) in the first six months of 1995.

Fokker is an important company in the Dutch industrial landscape. A recent report by the Delft-based TNO research institute claimed that Fokker, which directly employs 7,500 staff, accounts for 63,000 jobs in the Netherlands through supplier industries. In The Hague, as well as in Bonn, the future of Fokker and of Dasa is a hot political issue.

Dasa is currently putting the final touches to its cost-cutting plan "Dolores" (which stands for "dollar-low rescue"), an attempt to secure Dasa's future on the assumption that the dollar will remain weak. Dasa is more sensitive to the dollar exchange rate than other German companies, because all its aircraft sales are denominated in dollars while most of its costs are in D-Marks.

The obvious solution, as Dasa was told by McKinsey, the management consultancy, is to shift production into countries with currencies that closely shadow the dollar. Asia is seen as the obvious choice, and there is also talk of moving production to lower-cost countries in Europe. Dasa will also try to shift some of the dollar exchange rate risk on to its suppliers, an exercise that Mr Jürgen Schrempp, chairman of Daimler-Benz, once described as "passing the buck".

But the notion of the strong D-Mark as the cause of Dasa's difficulties is widely dismissed among Dasa's employees and local politicians, who say the company is using currency developments as a pretext for restructuring and job losses.

Mr Henning Vorscherau, mayor of Hamburg, where Dasa runs its Airbus plant, said recently that the exchange rate argument was insincere, since Dasa had successfully managed to hedge against the falling dollar. Dasa says that may be true so far, but will not hold true forever.

The German company's difficulties are not purely the result of the appreciation of the D-Mark, which may be only a temporary phenomenon. The real problem, critics say, has been an overzealous and poorly controlled attempt to erect a massive aircraft and defence industry in a country that has neither a strong technological postwar record in this area – like Britain and France – nor a huge market to support it economically, like the US.

In the 1980s, Daimler-Benz was a company known principally for its famous cars. But in recent years it has attracted more headlines about the difficulties in its aerospace division and its tendency to stumble from one crisis to another. The company set out on an exuberant expansion of the aircraft business under the leadership of Mr Edzard Reuter, who pursued a vision of concentrating almost the entire German defence industry under the roof of Daimler-Benz. It acquired MTU, the engine and turbine company; MBB, the aircraft maker and German partner in the European Airbus consortium; and Dornier, a regional aircraft maker.

But Mr Reuter retired as chairman this year, and the financial markets now hope that Daimler-Benz will give more power to its accountants than its visionaries. The company has committed itself to focus on a smaller range of core activities, which involves a retrenchment in some of its industrial interests.

So far there is no intention to pull out of aircraft manufacturing. But this does not mean Fokker's future is guaranteed in perpetuity, even if Dasa and the Dutch government succeed this time in agreeing a refinancing package.

Philip Stephens

A lead or lose choice

Look hard enough, and behind the fog of xenophobia in Blackpool you can just detect the outline of a general election strategy. It is not what you would call a nice strategy. But then this is the party which has come to regard power as its birthright. After 16 years, the looming obscurity of opposition does not allow for delicate sensibilities. Tony Blair, too, has no intention of playing a gentleman's game. It will be a nasty election campaign.

The question left unanswered by this week's conference is whether the Conservatives can yet summon up the will or the cohesion to make a serious, as opposed to a dirty fight, of it. It must be said there have been odd moments when one might almost have forgotten how bleak the prospects look. Shameless in its showmanship, the sheer force of Michael Heseltine's performance is a reminder that there are one or two grown-ups in the cabinet. He is 62, an elder statesman, but he still shines brightly in this dullest of political firmaments. So in a different way does Kenneth Clarke. While they are around, Tony Blair is wise in his caution.

But the abiding impression has been of a party steeped in apprehension. Afraid of the election, frightened by the false demon of European federalism, struggling against the clasp of fatalism. It is a mood that demands an ever-more strident populism in its onslaught against the chosen scapegoats. The cell doors in the new private prisons must be slammed permanently shut against the criminals and misfits. The social security scroungers must be hunted down, the Europeans must be turned back at Dover.

Yet even as his audience stomped their feet to Michael Portillo's lurid fantasy of soldiers sent to war by Brussels bureaucrats you could sense they were not quite sure. For all the visceral anti-Europeanism which courses through the veins of the Tory activists, they know in their hearts that the election will not be won or lost on the issue of qualified majority voting or the powers of the European parliament.

It is the economy, of course, which offers the last slim hope of defying the forces of electoral gravity. Forget the gloom peddled by some in the City. The latest, bad, inflation figures may have been a reminder that there will be awkward moments, but the economic recovery is soundly-based. If the government can hold on to its majority at Westminster until the spring of 1997, the upturn will be felt in the voters' wallets.

Mr Clarke promised the conference tax cuts. He hardly had a choice. Talk to the serious ministers in the cabinet though and they will tell you to forget about Lawsonian giveways this November. The cabinet committee charged with coming up with the necessary spending cuts, the ominously-named EDX, has so far agreed only the broad parameters of its task. There are big battles to be fought before it gets Whitehall's spending baronies to sign up to any precise figures.

> **The central thrust of the Tory campaign is now directed against the party which stands behind Mr Blair**

The Treasury establishment meanwhile warns its chancellor that the financial markets would punish him severely for profligacy. A bribe of, say, £2bn or £3bn has been discounted. If you are too ambitious, the mandarins whisper in Mr Clarke's ear, the bond markets will punish you with higher interest rates.

Tax cuts though there must be. It is about more than putting the odd extra pound in the voters' pockets. The electorate is not entirely stupid. Bribery paid for by shabbier hospitals and bigger classroom sizes is a double-edged sword. So lower taxes must be framed in terms of defining a wider, more important, choice.

It is here a strategy begins to emerge, blurred by the government's insecure obsession with endless policy announcements, but a strategy nonetheless. In Mr Heseltine's words it is about competitiveness, about economic survival amid the ever colder winds of international competition. In Mr Clarke's, it is a mission to prosper in a world of Asian tigers, fast-changing technology and global markets. The Tory prescription for the millennium is a smaller state, a deregulated, low-tax, enterprise economy. Mr Blair's New Labour offers instead bigger government, higher taxes and the failed medicine of 1960s corporatism.

It is a dividing line that John Major will also draw in his closing speech to the conference this morning. It carries risks: the electorate does not want to be told that their jobs will be ever-more insecure, that wages must be driven down to allow industry to compete with the sweatshops of the East. Mr Major recognises the dangers. As of last night, the draft of his speech contained a strong rebuttal of the charge that he is once again a prisoner of the Tory right, or that the welfare state will be dismantled rather than reformed. The words One Nation, stolen last week by Mr Blair, are prominent in Mr Major's text. The strategy might work and, in truth, the government has nothing else.

There is no such consensus on Europe, where the prime minister is once again walking the finest of lines. He believes disunity is his most dangerous enemy, so he readily embraces the rhetoric of the Eurosceptics. He can be heard remarking that he has always been something of a sceptic. Clearly the humiliation of sterling's ejection from the European exchange rate mechanism has not left him. So Margaret Thatcher and Norman Tebbit are now welcome guests on the conference platform.

But Mr Portillo's words illuminated the dangers. His was as crass a speech as any given by a senior minister in recent years – and there has been plenty of competition. The defence secretary's shallow jibes against the illusory threat of a European army were carelessly untutored in the history he called in his aid. The Britishness he proclaimed was a parody of the national character, built on emblems, ignorant of the virtues of tolerance and generosity of spirit.

Some in the cabinet were incensed, others took solace in Mr Portillo's subsequent discomfort. It was demeaning, said one; childish, remarked another. Mr Major rather lamely assured them it had all been a joke. Messrs Clarke and Heseltine were condescendingly indulgent. They take the view that as long as the anti-Europeans tilt at windmills, they can hold the important trenches in the quieter counsels of cabinet.

Left to himself the prime minister might well give in to the sceptics' central demand that he rule out a single currency during the lifetime of the next parliament. His chancellor and his deputy prime minister are determined he shall not. I suspect they are too sanguine in their confidence that language and policy can be separated. Rhetoric has a nasty habit of pre-empting policies.

Either way, though, Mr Major will have seen this week that playing the sceptics' tune is not a cost-free option. It offers an uncertain guarantee of unity. It also leaves an opening for Mr Blair. He is accused of standing ready to sell out to Brussels. I suspect he will respond with equal mendacity by warning that the Tory agenda is now withdrawal from Europe. The voters may dislike the idea that their prosperity is tied inextricably to that of Britain's continental partners. But they understand it.

Mr Major's mood is strangely buoyant. He is friendly and relaxed on the conference cocktail circuit. He appears unruffled by the charges that after defeating the Tory right during the summer he is now appeasing them. After much agonising he seems to have accepted that there is little to be gained from attacking Mr Blair as a closet socialist. The central thrust of the Tory campaign is now directed against the party which stands behind Mr Blair. But the prime minister too often appears as an observer rather than a moulder of events. The electoral clock is now ticking fast. He must lead or lose.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

UK can play constructive role in Europe on free trade

From Mr Andrew Cecil.

Sir, Your remarks in your editorial "Atlantic trade" (October 11) concerning the UK foreign secretary's comments on a possible transatlantic free trade area overlook a number of important issues. It is no doubt true that "any attempt to negotiate them [obstacles] away bilaterally would seem more likely to produce squabbling than harmony".

However, recent negotiations in the World Trade Organisation on financial services have shown that multilateral negotiations are also prone to difficulties.

In addition, even though there are a limited, but not insubstantial, number of obstacles to trade still in place following the Uruguay Round, especially in sensitive sectors, dialogue between the transatlantic partners should at least prevent further barriers to trade from being erected, while also tackling some of the present obstacles. Unless there is dialogue there cannot be progress.

You rightly point out that the British government is no longer a free agent in trade policy. However, you disregard that the negotiation of a transatlantic free trade area, in which the UK would, needless to say, play a leading role, would go a long way to redressing the perception that the UK is a less than willing member of the European Union. For once, the UK would be seen to be taking a positive, constructive role at the helm of Europe. A fact that other EU governments would no doubt welcome, despite their reservations about British attitudes in other areas of EU policy.

Andrew Cecil,
34 rue d'Alsace-Lorraine,
1050 Brussels,
Belgium

Inspiration of Nobel winner

From Mr James Forder.

Sir, You do a disservice to Robert Lucas, the latest Nobel economist, when you suggest in your leader, "Rational prize" (October 11), that his insights sustain the views of those who doubt the ability of governments to control the economy. As you say, the basic idea is that the actions of economic agents will be conditioned by the policy they expect the government to pursue. Sure enough that may neutralise the effect of policy, but on the other hand it may enhance it. One must take the matter case by case.

For example, a commitment to maintaining British competitiveness (rather than, say, indulging in binges of overvaluation like that of 1990-92) will surely encourage investment in export industries, thereby making British industry all the more competitive, providing jobs and prosperity. Here the Lucas insight shows that appreciation of the government policy makes it more effective than it otherwise would be.

Thus, those of us who believe that the government has an obligation to the unemployed and poor, and not just to those who benefit from deregulation and the unfettered market, can also look to Robert Lucas for inspiration and applaud the Nobel committee's decision.

James Forder,
fellow in economics,
St Peter's College,
Oxford OX1 2DL, UK

China acting contrary to its words

From Mr Damon Bristow.

Sir, Among other things, Edward Mortimer's article on China ("Mirror, mirror on the wall", October 11) will be music to the ears of those in charge of making foreign policy in Beijing. In essence, the piece provides a platform for China's assertions that it is far from being a leading power and that its behaviour is often misread by observers in the west.

Actions, though, speak louder than words. It is suggested that China wants a multilateral security organisation in Asia which includes the US, for example. However, the occupation of the Philippine-held Mischief reef, part of the Spratly island chain, and foreign minister Qian Qichen's statements at this year's Asean Regional Forum in Brunei, show that Beijing has other things in mind.

China's foreign policy is dominated by the need to preserve the country's territorial integrity and to "right the wrongs of history" dealt out to it by the colonial powers. Its approach to Taiwan, Hong Kong and the Spratly islands is dictated by this feeling of injustice. The expected transition of power to a generation of leaders with few revolutionary credentials, but still keen to impress their elders, has only served to make things worse.

No amount of understanding from the west will stop Beijing from pursuing what it sees as being legitimate national goals. Ensuring that China emerges as a responsible world power will take more than just accepting Beijing's interpretations of history.

Damon Bristow,
researcher,
Royal United Services Institute for Defence Studies,
Whitehall,
London SW1A 2ET, UK

From Miss Alison Macdonald.

Sir, Edward Mortimer refers to the ruffling of Chinese feathers when President Clinton met the Dalai Lama ("Mirror, mirror on the wall"). I have no doubt I join a chorus of queries: why does Mr Mortimer not mention Tibet in his section discussing whether China is an aggressive, expansionist power?

Alison Macdonald,
2 Wayside Court,
Arlington Road,
Twickenham TW18 2BQ, UK

No reason for TV sports coverage to be protected

From Mr David Elstein.

Keith Wheatley ("If ever there was a case for Ofsport", October 9) seems to have swallowed whole Sir Paul Fox's disingenuous plea for leading sports to be "protected" for the general viewer. Yet, Sir Paul himself concedes that sport is already the BBC's cheapest broadcast material.

Why should sport subsidise the BBC already in annual receipt of £1.7bn ($2.7bn) of public money? Most sport is professional: why should it not seek the best deal in the marketplace?

If, with that vast income, the BBC does not wish to compete for rights to large events, why should the government intervene to the detriment of sport's earnings?

This year's Ryder Cup was the first ever available to British viewers from start to finish. For real golf fans, Sky's commitment to the sport is a huge benefit.

Nearly 10m people are estimated to have watched at least part of Sky's Ryder Cup coverage.

By contrast, NBC's coverage in the US was interrupted for three crucial hours for a college football match: typical behaviour for a terrestrial broadcaster, as sports fans in the UK know to their cost.

To complain that Sky is "only" in 20 per cent of homes (containing 25 per cent of the population) just six years after launch and less than half way on the growth path projected by most analysts, is to demonstrate how narrow and short-term the Fox view is.

What he, the Labour party and now Keith Wheatley always fail to answer is the obvious question: if any sport is denied access to the open market for television rights, who is going to provide the compensation?

David Elstein,
head of programming,
BSkyB,
Grant Way,
Isleworth,
Middlesex TW7 5QD, UK

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Friday October 13 1995

Backsliding in South Korea

The rush by South Korea's industrial conglomerates, the chaebol, to establish overseas plants has been greeted enthusiastically by host countries eager to create new jobs. However, the stampede is arousing growing anxiety in Seoul, which this week sought to rein it in by imposing tighter curbs on the financing of direct foreign investments.

Official concern centres on the impact of rapid increases in overseas borrowing on the conglomerates' already highly geared balance sheets, and on the country's foreign debt. The authorities hope to restrict future expansion by requiring that 20 per cent of large foreign projects be funded in Korea, where lending rates are much higher than abroad.

The move seems to be having some effect, to judge by recent decisions by Samsung and Hyundai, two of the biggest chaebol, to review plans to build US semiconductor plants. But it carries a longer-term price. Whatever success it has in restraining over-ambitious expansion may be at the expense of the authorities' already flagging commitment to badly needed economic reform.

The restrictions are a backward step because they partially reinstate foreign exchange controls relaxed only three years ago. They also signal a return to crude intervention by a government which is supposedly committed to replacing industrial *dirigisme* with market-based policies.

Korean authorities have long used the country's highly regulated financial system to direct the chaebol. By ensuring plentiful capital for officially approved projects, and keeping the exchange rate low, such policies contributed to rapid industrialisation. But they have also bequeathed less desirable consequences.

Vulnerable government

One has been to inhibit industrial specialisation and encourage duplicated capacity in a few sectors deemed to be national priorities. The results are particularly evident in cars – of which Korea will soon have five volume producers – electronics and shipbuilding. The policy has also left the government vulnerable to capture by powerful industrial interests, and by its own bureaucracy, which it has found increasingly hard to control.

The obvious solution is to free market forces to allocate resources and stimulate industrial restructuring by opening Korea's economy to greater competition. But liberalisation so far has been hesitant and frequently frustrated by Seoul's piecemeal approach.

For instance, the government wants the chaebol to reduce their dependence on bank credit. It believes that broadening their capital base would strengthen their balance sheets and expose them to stronger commercial disciplines. But access to other sources of finance remains restricted by official reluctance to deregulate equity and bond markets and open them fully to foreign investors.

Eroded appetite

There are growing signs that the government's dwindling political popularity and strong bureaucratic resistance are further eroding its appetite for reform. For instance, ministers have recently hinted at a further delay in its application to join the Organisation for Economic Co-operation and Development. Korea badly wants OECD membership as a recognition that it has joined the world's industrialised powers. But it is balking at the liberalisation of capital flows and financial markets which membership requires.

Seoul needs to act more courageously. Going slow on reform will make none of the tasks it must address easier to tackle. Delay will merely perpetuate old habits and inhibit the adjustments necessary for its continued economic development. That is a risk it can ill afford if its industries are to stay ahead of competitors in other fast-growing Asian economies such as China.

Meanwhile, this week's policy change may mean that other countries need to downgrade expectations of inward investments from Korea. One possible consolation is that the tighter curbs may ensure that only the financially soundest projects go ahead. But there is also a risk that the higher cost of capital they will now have to bear will make it harder to generate adequate returns. Host governments may need to temper their excitement about Korean investment.

Price warnings and tax cuts

Mr Kenneth Clarke's speech yesterday to the Conservative party conference had two themes; bashing the opposition Labour party and promising, none-too-subtly, a batch of tax cuts in the November Budget. Given the sombre political background to this year's Tory get-together, both were eminently predictable. Each, however, betrayed a worrying degree of complacency.

Mr Clarke claimed only the Conservatives understood that "it was the duty of government to protect the value of the money in your pocket". He noted that August was the 20th anniversary of inflation approaching 27 per cent, and wondered how it could be doubted that a New Labour chancellor would be as soft on inflation as those of the 1970s.

Now there is certainly room to doubt whether the shadow chancellor, Mr Gordon Brown, would be as tough on inflation in office, as he has appeared in opposition. But, unfortunately for Mr Clarke, his speech coincided with the release of the September inflation figures. These brought to mind more recent events in the country's history, which still tarnish the government's credibility on inflation.

In September 1990 headline retail price inflation peaked at nearly 11 per cent. Exactly five years on, the same measure is growing at an annual rate of 3.9 per cent, or 3.1 per cent excluding mortgage interest payments. This was the highest headline rate since May 1992, which at least shows things have improved since the Lawson boom.

Doubting investors

But the UK tops the inflation league among the five largest industrial countries. And, for all Mr Clarke's protestations, investors still doubt that the relative improvement in the UK's performance will last.

The gap between German and UK long-term bond yields now stands at over 1½ percentage points, nearly half a percentage point higher than at the beginning of the year. Meanwhile, the differential between yields on conventional and index-linked government bonds implies that investors fear inflation will on average be above the government's targeted ceiling of 4 per cent over the next five years.

The markets may be too pessimistic. It was partly a rise in City inflation expectations that prompted the governor of the Bank of England, Mr Eddie George, to call for a rise in interest rates last spring. As he noted in his September meeting with Mr Clarke, the evidence during the summer of a softening of economic demand and greater uncertainty about future growth have weakened the case for an immediate rate increase.

Pressure on producers

However, as Mr George also pointed out, there remains considerable pressure on producers to pass on input price increases to consumers. As always, it would be unwise to read too much into one month's retail price figures, which were somewhat distorted by exceptional food price increases. However, the sharp rise in prices in several other sectors could signal that high-street retailers are now more determined to rebuild profit margins by passing on some of the past year's input price rises.

In the short term, the lethargic state of final demand might well put a lid on this type of margin-building, with favourable consequences for inflation. But there remains a good chance that the chancellor will have to increase interest rates at some point during the next year if his inflation targets are to remain remotely credible.

By the same token, the case for reducing interest rates seems as weak as ever. The arguments for a modest loosening might improve if the economy slows sharply in the coming months. But even from a narrowly political point of view, it would make little sense for Mr Clarke to take the opportunity afforded by a continued growth "pause" to sneak a modest rate cut over the next few months, only to have to raise rates closer to the election.

Unfortunately, the political arguments in favour of a sombre Budget, to go with a sombre monetary policy, are thin on the ground. But if the chancellor is truly committed to putting *all* of the UK's economic past behind him, he will recognise that his scope for cutting either interest rates or tax rates (not to mention both) is circumscribed indeed.

Banks shape up to a cold climate

Rising competitive pressures are driving bankers to extremes in the race to win business, says **John Plender**

Lloyds Bank is back on the takeover trail, proposing marriage to the TSB Group. Mr Paul Reichmann is in business again at Canary Wharf in London's docklands, repurchasing the troubled development from a bank syndicate led by Lloyds. In the US, Bankers Trust faces the indignity of being pursued by Procter & Gamble under anti-racketeering legislation, having sold lossmaking derivatives to the US consumer giant.

In their different ways these otherwise unrelated stories provide a fascinating insight into how commercial banks have lost, and sought to win back, their competitive edge in the financial services market. They also contain important clues as to where the banks may run into trouble in future.

Consider, first, the case of Bankers Trust. In banking, information confers power. And the problem for bankers throughout the ages has been one of asymmetrical information: they know less about the affairs of the companies to which they lend than the managers of those companies. They compensate for this informational disadvantage by monitoring credit risk, spreading their portfolio and other techniques.

In the derivatives market where Bankers Trust and Procter & Gamble did business together, the balance of advantage appears to have been reversed. Recently revealed transcripts of in-house conversations show a senior executive of the bank declaring that Procter executives were wholly ignorant in the contentious transactions of the degree of leverage – the extent to which small outlays could lead to spiralling exposure to large losses.

The same executive also made clear that his clients had no notion of how much profit the bank was making on these derivative transactions. "That," he said, "is the beauty of Bankers Trust." Another executive is heard to put it more brutally: "What a bank can do [for its clients] is get in the middle and rip them off."

Whatever the rights and wrongs of this particular case, it is clear that where banks have been selling customised versions of complex derivative products, they have been able to turn the tables on even the biggest of corporate clients.

Nor is this change in the balance of power confined to the corporate market. The Procter & Gamble saga is the high-tech equivalent of Britain's personal pensions scandal, where retail financial services groups, including the leading commercial banks, sold their customers inappropriate pensions. Here the complexity was actuarial, but the outcome was the same: the abuse of a conflict of interest which did big damage to the banks' business.

Why did banks go to such extremes in exploiting a new-found competitive edge? There are many explanations. But underlying them all is the increase in competitive pressure arising from deregulation, combined with an entirely different informational problem. This concerns the banks' constant competition with the capital markets, where the balance has swung against them.

Over the past two decades the volume of publicly available information about large companies has swollen to the point where commercial banks no longer know more about big companies than the analysts in the securities markets. And after the erosion of the banks' credit ratings following the Latin American lending debacle, big companies have by-passed the banks to raise money directly in the markets.

It was this that drove commercial bankers to seek out large borrowers in property, such as the Reichmann brothers, the developers at Canary Wharf. Here, in a seemingly conventional banking relationship, the balance of power between banker and client was not as disadvantageous to the banks as conventional banking wisdom might suggest.

Mr Paul Reichmann and his brothers did admittedly know more about development than their bankers. And the banks voluntarily denied themselves information about the Reichmanns' finances by lending on the strength of this single project, without seeing a consolidated balance sheet for the whole Reichmann empire.

Yet in reality, the Reichmanns' superior knowledge as developers was irrelevant: what drove this scheme into administration in 1992 was the severity of the downturn in the economic cycle, combined with gearing – large borrowings in relation to a smaller equity capital.

In fact the contribution of property skills and information to the success or failure of any development is marginal. It is monetary policy that makes the difference; and bankers are at no disadvantage to their clients in assessing the future path of interest rates.

Another response to the more difficult climate in the corporate lending market has been that of Lloyds, which would have little truck with the obsession with growth that afflicted others in the 1980s. It emphasised retail banking instead, including a push into life assurance and pensions through Lloyds Abbey Life. The merger with TSB, another practitioner of bancassurance – selling insurance and pensions through its branches – is a logical extension of that philosophy.

This sits oddly with Lloyds' seemingly uncharacteristic recent behaviour in the corporate market, where margins on loans to creditworthy borrowers have been collapsing. The margin on Lloyds' recent £700m five-year loan to industrial conglomerate BTR, arranged jointly with Chemical Bank, was reported to be only 11¼ basis points (hundredths of a per cent) over the London interbank offered rate, with a commitment fee of just 16 basis points.

Cut-throat pricing in pursuit of market share in corporate lending raises questions about the future. For in the 1990s the banks have acquired an additional competitive disadvantage vis a vis the capital markets, in the shape of tougher capital adequacy requirements imposed by the Bank for International Settlements. The higher the capital ratio required by regulators, the lower the return on capital for any given volume of business. What, then, is the remaining competitive advantage of banks in large-scale corporate lending?

The usual answer is flexibility: the ability to respond quickly and tailor financial packages for a client. Yet in practice "flexibility" increasingly appears to mean conceding weaker covenants and slimmer margins.

This is said to be acceptable because such pricing cements relationships that generate profits for other parts of the business. But while that might be true in some cases, it is implausible in all of them. Increasingly banks confront lending opportunities that are either high on risk or devoid of profit, with not much in between.

The suspicion must be that, having restored their profitability and lifted their capital above the regulators' more demanding new hurdles, the banks are now competing away their capital surplus. That suspicion is reinforced by the fact that the banks have now overtaken the capital markets in their share of total lending activity.

Another conclusion might be that retail banking will end up subsidising wholesale banking in the 1990s, much as it did in the 1970s and 1980s. Cost savings arising from the recent spate of acquisitions and mergers in the US, or deals such as the Lloyds/TSB marriage, may not flow through to shareholders as readily as some analysts assume.

In property, meantime, warning signals are emerging once again. Banks are returning to property with renewed enthusiasm, according to Mr Francis Hazeel, head of the London representative office of German mortgage bank DePfa, and the chairman of the Association of Property Bankers. On his personal estimate, the number of active lenders in commercial property has risen over the past three years from 20 to 100.

It follows that what looks like surplus bank capital today may prove to be inadequate later in the cycle, because it has simply been competed or punted away. As Mr Martin Taylor, Barclays chief executive, has argued, trouble may come from two factors which, though harmless on their own, prove lethal in combination. Property is one obvious potential element in such a mix. Whatever the other turns out to be – loans to governments, finance for takeovers or whatever – past experience tells us that it will be something bankers are convinced is safe beyond peradventure.

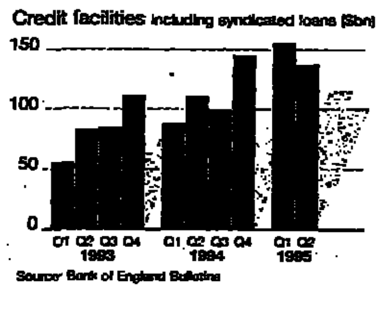
We are at the point in the cycle where seeds of future trouble are most likely to be sown.

Banking: mergers and acquisitions

Banks versus capital markets: international financing activity

International bond issues ($bn)

Credit facilities including syndicated loans ($bn)



Source: Bank of England Bulletins

Top US deals since the start of 1994 ($bn)

ANNOUNCED	TARGET	ACQUIRER	VALUE OF DEAL ($BN)
28.08.95	Chase Manhattan	Chemical Banking	9.87
12.07.95	First Chicago	NBD Bancorp	5.30
19.06.95	First Fidelity	First Union	5.07
21.07.95	Bank of Boston	BancOne	5.01
20.07.95	Bank of Boston	Corestates Financial	4.23
21.02.95	Shawmut National	Fleet Financial	3.81
10.07.95	Midlantic	PNC Bank	2.86
10.10.95	Meridian Bancorp	Corestates Financial	2.73

Top UK deals since the start of 1994 ($bn)

ANNOUNCED	TARGET	ACQUIRER	VALUE OF DEAL ($BN)
09.10.95	TSB Group	Lloyds Bank	7.98
21.04.95	Cheltenham & Gloucester	Lloyds Bank	2.87
21.04.95	National & Provincial	Abbey National	2.15
04.02.94	CIBC Mortgages	Abbey National	1.30
01.08.95	Leeds Permanent	Halifax	Merger

Source: IFR Securities data (London)

The old political structure in Austria has succumbed to new pressures, says **Ian Rodger**

The end of an era

Yesterday's collapse of Austria's coalition government marks the start of a period of political flux after decades of stability.

Fears in some quarters of another drift into rightwing extremism can be largely discounted. The rightwing Freedom party appears to be stagnating, and its sometimes demagogic leader, Mr Jörg Haider, has been adopting increasingly moderate stances lately.

The real issue is whether the country will be a member of Europe's premier league or relegated to the eastern Danube regional league.

Austria has one of the strongest economies in western Europe, with a currency that has been pegged to the D-Mark for more than 20 years.

Its political structure, however, is a relic of the cold war days when the government owned most productive assets and the job of the two dominant parties was to ensure that their members all got fair shares of the ever-growing pie.

Since then many industries have been privatised, and the government's influence over economic activity is much reduced. Today its main job, like that of most European governments, is to allocate the pain necessary to reduce the budget deficit to the level required for becoming part of European monetary union.

That would be difficult enough for a single-party government, but has proved impossible for a coalition of two flagging parties that are being constantly harassed by a clever and opportunistic opposition leader – Mr Haider.

Until 1986, the conservative Austrian People's party and the Social Democratic party together always won more than 80 per cent of the vote in national elections. In 1990 that share slipped to 73 per cent and then to 63 per cent in last October's general elections.

Since then, their so-called grand coalition has looked increasingly fragile, held together only by the recognition that a collapse would lead to even worse results in fresh elections. Mr Franz Vranitzky, the chancellor and head of the Social Democratic party, has looked increasingly uncertain about where, or how, to lead the coalition.

Jörg Haider: sniping from sidelines

Things finally came unstuck this week in the attempt to hammer out a deficit-cutting budget for next year. The conservatives wanted to cut social entitlements; the social democrats preferred to raise taxes, cut subsidies for farmers and small businesses and scoop up one-off gains from privatisations.

This is not a new struggle, but it came to breaking point this time because of a number of new political and economic factors, including the effects of Austria joining the European Union.

Contributions to Brussels have put increasing pressure on the budget. And the prospect of Emu has forced the government to look at measures that will enable it to reduce the deficit below 3 per cent of gross domestic product, as stipulated in the Maastricht treaty, from 5 per cent at present.

In the view of many Austrian leaders, the best way to achieve a lasting reduction in the deficit is to cut social spending. Austria has one of the most generous social welfare systems in Europe.

But cutting these entitlements is not popular among Social Democratic party supporters – particularly at a time when the party's popularity is declining.

Mr Michael Häupl, the social democrat mayor of Vienna, has been one of the most outspoken defenders of social programmes, insisting on no cuts at all. Mr Häupl faces an election next year in which his party is expected to lose majority control of city hall for the first time this century. The People's party, by contrast, has seen a slight rise in its popularity since April when Mr Wolfgang Schüssel became its leader.

Polls suggest that the party is now virtually level with the social democrats, perhaps leading Mr Schüssel to believe that, with a good campaign, he could become coalition leader. Moreover, he has argued so strongly in the past for social spending cuts that he would have lost credibility if he had changed his tune.

Still, the present indications point to a stalemate in the forthcoming election, with the People's party, the Social Democrats and the Freedom party winning roughly equal shares of the vote.

Mr Schüssel has refused the offer of a coalition with the Freedom party in the present parliament. But there is nothing to say that he would not make such an alliance after an indecisive election.

Some moderate Austrians would even welcome such an outcome, since it would force Mr Haider to become responsible for part of the government's activity rather than sniping continually from the sidelines.

OBSERVER

That'll do badly thanks

■ Here's a scandal messrs Andreotti *et al* would surely die for. While they fight off allegations of mafia involvement, Mona Sahlin, the likely next prime minister of Sweden, has been caught slipping her government credit card across the counter when she shouldn't have.

Shrieks of outrage have spurted from the tabloid newspaper *Expressen* since it discovered Sahlin ran up bills of slightly more than SKr10,000 – less than £1,000 – on personal purchases and cash withdrawals.

Social Democrat Sahlin, who to date is the sole candidate to succeed Ingvar Carlsson as prime minister when he retires next March, sheepishly admitted to having been "sloppy" in paying back the amounts – and not coming completely clean when first confronted on the issue.

But pay it back she has, plus interest. And because this is a Swedish scandal, she has notified the tax man so he can take his cut of her unauthorised benefit-in-kind.

The unreal thing

■ It may be "the real thing" – but what *is* it exactly? The ubiquitous slogan of Coca-Cola is coming under intense scrutiny in – you guessed it – the European Parliament, that home to ageless swingers and imbibers of refreshments.

Health conscious Euro-MPs are accusing Coke of breaking EU-food laws by refusing to disclose the drink's secret ingredients to Europe's discerning consumers.

German MEP Gerhard Schmid, a beer-drinking Bavarian, says Coca-Cola's recipe must be made public so that Coke-drinkers know precisely what it is they are pouring down their gullets.

His argument is that foods are technically entitled to circulate in the EU only if full details of all their additives, colourings and sugars are made known. "Not even the people who run the bottling factories know what is in the drink," says an indignant Schmid, adding: "I wonder whether the US would accept having a product imported in huge quantities without the necessary checks?"

Tough words, if a little unrealistic.

Biter bit

■ Morgan Stanley, house banker to TSB, was obviously not at home when its client started cosying up to Lloyds Bank, because it was non-house bank J.P. Morgan that muscled in to broker the deal instead.

First thing Morgan Stanley heard was when TSB rang up after a leak in last week's Sunday Times. A consolation prize was offered – the chance to give a "fairness opinion" to TSB's board on Tuesday evening. Morgan Stanley's name was kept off the release at J.P. Morgan's insistence, while the latter booked its £10m advisory fee.

Of course TSB was only administering Morgan Stanley a spoonful of its own medicine. As the American house attacks the UK market, it is rather more accustomed to playing the role of usurper. It was only in June that it displaced SBC Warburg as TSB's "adviser of record".

Now it knows how little that means. Terry Eccles, J.P. Morgan's financial institutions specialist, did not tarry long before pitching up at TSB with the intriguing notion of a deal with Lloyds.

Says Peter Ellwood, TSB's chief executive: "We always said we would use whoever brought us a good deal".

Seeing as Ellwood is tipped to succeed Sir Brian Pitman as chief executive of the combined Lloyds TSB, Barings, Lloyds's traditional advisers, had better keep on their toes.

Not much to say

■ James Baker's new book may be getting a lot of attention in Malaysia, but OJ Simpson continues to frustrate his attempt to publicise it in Washington DC, the city in which Baker – former secretary of state and of the treasury – was himself a big cheese for 12 years.

Baker rescheduled last week's set piece speech – because it clashed to the minute with the verdict in OJ's trial – until Wednesday this week, only to find himself overshadowed by the on-again off-again NBC interview with America's most famous non-convict.

Baker ploughed on regardless, but a breakfast meeting with foreign hacks showed that his addiction to holding the diplomatic cards close to his chest doesn't grab headlines.

Relentless questioning failed to elicit a single Baker preference in the race for the Republican nomination. He would not even hazard a guess as to Colin Powell's plans. As for OJ, he merely opined that jury verdicts must be respected.

Baker's warm words about economic reform in Mongolia – where he also likes to go hunting – are not exactly the stuff of today's front pages, except, maybe, in Ulan Bator.

My lips are sealed

■ A colleague overheard a conversation at the Hungarian Trade and Industry Ministry yesterday:

Visitor: "I'd like some information on import quotas for consumer goods please."

Receptionist: "I can't tell you that. This is just the information office. You'll have to ask the minister."

Quite like old times.

The Financial Times

50 years ago

Argentine ultimatum
The Argentine Government headed by General Farrell resigned yesterday after receiving an ultimatum from leaders of the army and navy. The ultimatum demanded that he should hand over the reins of government to the Supreme Court. The Constitution lays down that the President of the Supreme Court becomes head of Government when the offices of President, Vice-President and Speaker are vacant.

Bill not so innocent
Mr. Brendan Bracken, speaking at Bournemouth last night, said that in the Bill for the nationalisation of the Bank of England, the Socialists were indulging in a fit of window dressing in actually taking over the machinery of the Bank. Under their present proposals they could give directions to the head of any institution in the City which had any connection with financial affairs. That was highly dangerous.

Bracken, minister of information in Winston Churchill's wartime government, was chairman of the Financial News until it merged with its rival the FT in October 1945. Bracken became chairman of the merged paper, which was named the Financial Times.

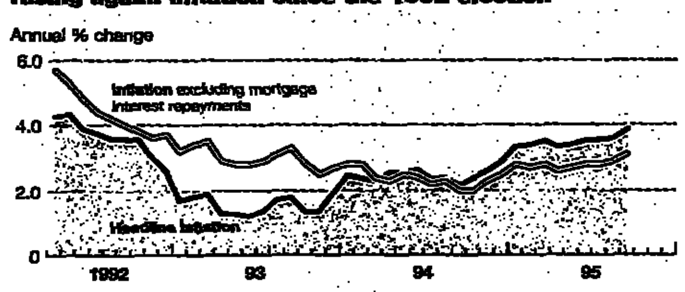
FINANCIAL TIMES
Friday October 13 1995

Clarke shrugs off sharp rise in inflation

UK chancellor hints at large tax cuts in Budget

By Gillian Tett and Robert Peston in London

Rising again: inflation since the 1992 election



Source: Datastream

Mr Kenneth Clarke, the UK chancellor of the exchequer, yesterday sent a strong signal there would be substantial tax cuts for Britons in next month's Budget and in subsequent years.

But his hint came amid signs that the economic background to the Budget is deteriorating, with an unexpectedly sharp rise in inflation last month.

In a marked change of tone from his recent cautious approach, Mr Clarke told the party conference of the ruling Conservative party in Blackpool, northern England, that the Budget would be based "on traditional Tory values". He also hinted that there would be "some reward" in the next Budget for his "tough" approach to inflation.

The annual rate of UK inflation rose in September to 3.9 per cent, the highest rate for three years, up from 3.6 per cent in August, according to figures published yesterday. Since September's level is used to increase state benefits, the rise will provide a further, albeit small squeeze on the government budget.

The Treasury said the higher-than-expected inflation rate meant that the social security bill would be £670m ($1.04bn) higher in the 1996-97 financial year than the £73bn originally forecast in the November 1994 Budget.

Mr Clarke shrugged off the inflation data, arguing that it was low by historic standards. He blamed much of the increase on the unusually hot summer weather during the summer which boosted food prices in September. This accounted for almost half the increase between August and September.

London gilt prices fell by about half a point, before rallying to close unchanged, after reports suggested that a Confederation of British Industry survey today would show weak levels of retail spending. In the London equity market, continued bid speculation and relief at Wednesday's rebound on Wall Street outweighed the disappointing inflation figures. The FT-SE 100 index jumped 49.5 points to close at 3,523.8.

One cabinet minister said a favoured combination of tax cuts would include 1p off the basic rate of income tax, an increase in the married man's allowance, a real rise in the threshold for the top rate of tax and a rise in the threshold at which inheritance tax is payable. He hinted the total value of these cuts could be at least £3bn.

Tory conference, Page 8; Philip Stephens, Page 12; London shares, Page 34; See Lex

Nato allies agree role for Russia in Bosnia peace force

By Bruce Clark in London and Harriet Martin in Sarajevo

The Nato allies have agreed among themselves to give Russia a substantial role, but no powers of veto, in the multinational force intended to police a long-term peace in Bosnia.

The US-arranged ceasefire, which began at one minute past midnight yesterday, held throughout the day in most parts of the territory, although the Moslem-led government and the Serbs accused one another of several isolated violations.

The truce boosted hopes that a durable settlement can be hammered out at negotiations which are due to begin in the US on October 31, and sealed at a peace conference in Paris before the end of the year.

Diplomats said the 16 Nato members agreed among themselves, at a meeting in Brussels on Wednesday, to offer Russia a significant part in the peace implementation force of up to 60,000 which the alliance plans to deploy in Bosnia.

While several issues relating to Russian participation were unresolved, "there was a commitment to go at this as seriously as possible, and we assume the Russians have the same spirit", one senior diplomat said.

The allies agreed with US insistence that Russia should not be allowed to regain the right of veto over military operations in Bosnia which the UN has hitherto enjoyed, often frustrating Nato commanders.

It remains to be seen how Nato's insistence on a single command structure can be squared with Russia's reluctance to submit its troops to Nato commanders. But military experts assume Russia will send liaison officers to the British-led Allied Rapid Reaction Corps which will provide the command centre for the peacekeeping operation.

Diplomats said Russian officers would pay a rare visit to Nato military headquarters at Mons, in Belgium, in the coming days to discuss details of their role. Meetings between the Russian ambassador to Nato and envoys from the 16 member states, as well as lower-level consultation, are likely to become more frequent.

Russia is understood to have offered as many as 20.000 troops, a figure described by one western diplomat as "on the high side". Nato initially suggested that Russian troops should be confined to tasks such as clearing mines or bridge-building, but Moscow wants a wider role.

In Sarajevo, UN officials gave an upbeat assessment of the first day of the ceasefire, which came into effect after two abortive efforts earlier in the week. "There have been some violations but nothing significant," Ms Myriam Sochacki said.

THE LEX COLUMN

Mercky float

E Merck's flotation has been hailed as a sign that family-owned German industry is at last embracing modern financial methods. At around DM2bn, the initial public offering – for which bookbuilding closes today – will be Germany's largest to date. Nevertheless, the idea that the pharmaceuticals group's share issue marks a sea-change in the governance of German family companies is misleading. After the flotation, the Merck family will still be firmly in control.

This is not simply because only 25 per cent of the equity is being sold; it is also because the public is being offered second-class shares. Although these shares will carry a vote, most important matters – including the appointment of the executive board – will be determined by the family without any involvement of shareholders. As a result, even if the family's interest falls below 50 per cent, public shareholders will have little say over how the group is run.

In principle, there is nothing objectionable in such a structure. Other families wishing to retain control issue non-voting stock or shares with reduced voting rights. But such a system does carry risks. If the public shareholders ever concluded that Merck's management was not up to scratch or that its strategic direction was misguided, they would be powerless to alter matters. Moreover, in the event of a conflict between the interests of the family and those of other shareholders, the former would prevail. Because of these risks, Merck shares will be less valuable than normal voting shares. This should be reflected in their price.

UK economy

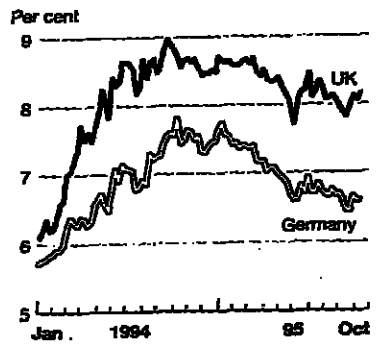
The jump in UK inflation to its highest level in three years is less worrying than it looks. As the chancellor, Mr Kenneth Clarke, pointed out, the impact of the hot summer on food prices is still being felt. Meanwhile, the effect of sterling's depreciation and of high commodity prices earlier this year should start to fade.

Given the UK's poor record of controlling inflation, there is no room for complacency. But the bond yield differential of 175 basis points relative to Germany shows that a healthy dose of scepticism is already priced into the market, since Germany is aiming for inflation of 2 per cent or less, while the UK's target is 2½ per cent.

Still, there are other risk factors in the UK. Mr Clarke's Tory party conference speech yesterday, confirming that tax cuts are on the agenda, may stir fears of fiscal laxity. One underhand way of handing back money to taxpayers would be to underestimate deliberately the public sector borrowing requirement. Though a pity, that would have little impact on gilts. As this week's Goldman Sachs/Institute of Fiscal Studies budget projections illustrate, at least £3bn in tax cuts could be funded without dangerous fiscal loosening. The risk of a Labour government is also priced into the market. In fact, gilt spreads are not far off levels seen just before the last election, which a less fiscally responsible Labour party was widely expected to win. Once the budget is out of the way, there could well be room for outperformance relative to European bond markets.

FT-SE Eurotrack 200: 1514.1 (+5.6)

10-yr benchmark bond yields



Source: FT Extel

Russian telecoms

Russia's attempt to sell 25 per cent of a start-up telephone company to a foreign investor two months before an election in which revanchist communists seem set to shine looks an absurdly risky proposition. But such is the desperation of the Russian government to chalk up a privatisation success and the obsession of telecommunications companies to expand in emerging markets that the sale may yet succeed.

The Russian government's financial need is clear. Raising $2bn from the sale of Svazinvest would cover a big hole in its budget deficit. That would ease the pressure on the second stage of its privatisation programme which is running into a sticky stock market and heavy political flak. Besides, it would be more politically palatable to sell a newly-constructed company to foreigners than the country's industrial jewels.

Western investors may reckon such pressures will make the government unusually accommodating in granting future business concessions. Moreover, a once-in-a-lifetime opportunity to buy a 51 per cent stake in 85 regional telephone operators and grab prime position in an undeveloped long-distance market of 150m people is enough to bring out the gambler in any telephone executive. Atlantic Richfield's acquisition of a big chunk of Lukoil's $320m convertible bond issue and this week's private placement of Mosenergo's shares show that some western investors are prepared to play Russian roulette. But one in six of these investments is still likely to end up dead.

UK privatisation

The British government's privatisation plans for next year are ambitious. Within a few months it wants to sell both Railtrack, the rail infrastructure operator, and British Energy, which runs most of the nuclear power industry. Ministers are in a hurry because extra cash will help pay for a tax bribe before the next election.

This haste means the two companies will probably be sold off cheap. One reason is that both are potentially vulnerable to windfall taxes from an incoming Labour government. Another is that the present government will probably want to sell the companies outright. Not only would that bring in more cash; it would also make it hard for Labour to renationalise Railtrack. But given investors' inexperience of either industry, asking them to take the whole of both will require a big discount.

Yet another risk is that ministers will be so keen for an easy sale that they may succumb to lobbying from the companies for strong balance sheets. This would be a mistake. Both Railtrack and British Energy are utilities, well able to support high levels of debt. Not only would that protect them against a windfall tax, as there would be less cash for Labour to raid; it would also limit their ability to embark on foolish diversifications. High debt levels should make prospective investors less nervous about what they would be buying. Rather than writing off the companies' debts, ministers should be thinking of adding to them.

Japan admits it was too slow in reporting Daiwa losses

By Gerard Baker in Tokyo

Japan's finance ministry yesterday acknowledged for the first time weaknesses in its response to the discovery of huge losses at Daiwa Bank's New York branch two months ago.

Mr Masayoshi Takemura, finance minister, told Mr Robert Rubin, US treasury secretary, that officials should have reported more quickly to their US counterparts what they knew about about the $1.1bn trading losses at one of Japan's largest banks.

In a 30-minute telephone conversation, Mr Takemura attempted to limit the damage from the ministry's admission this week that it knew about Daiwa's losses six weeks before it informed US regulators.

Mr Takemura told Mr Rubin that a partial failure of communication on the Japanese side had been responsible for the delay in reporting the loss; he promised lines of communication would be improved.

Mr Rubin replied that full and early disclosure of management problems at financial institutions was crucial if regulators were to ensure sound financial markets.

Daiwa's senior management in Japan first learned of the bank's loss from unauthorised trading of US government bonds at the end of July, and informed the finance ministry on August 8. But the ministry did not report the loss to the US Federal Reserve until September 18, a six-week delay that has earned it the strong criticism of US financial regulators and politicians.

At a news conference in Tokyo, Mr Eisuke Sakakibara, director-general of the ministry's international finance division, said there was a need to improve co-operation between international regulators. "We do think we need greater convergence among international financial authorities," he said. "We look forward to improved co-operation in future."

Mr Sakakibara made clear he felt the primary blame for the cover-up of the losses lay squarely with Daiwa's management. He said there was clear evidence of organisational involvement in the bank's hiding of its losses.

At the same news conference, Mr Yoshimasa Nishimura, director-general of the ministry's banking bureau, who was first personally informed of the Daiwa losses, said it could be argued the ministry should have given the US authorities more details sooner.

Mr Nishimura gave a long explanation of why the ministry had failed to convey the information to the US authorities, which had primary responsibility for regulating Daiwa's New York branch.

He said that at the initial meeting with Mr Akira Fujita, former president of Daiwa, on August 8, Mr Fujita referred only briefly to the letter he had received from Mr Toshihide Iguchi, the trader allegedly responsible for the losses.

There was only a mere "suggestion" of the scale of the problems. Mr Nishimura said he had told Mr Fujita to investigate the losses and report back to the ministry when the bank had full details.

Daiwa did not report back until September 12, and Mr Nishimura acknowledged he might have pressed Daiwa harder to hasten their investigations.

During those five weeks, between August 8 and September 12, he said, the ministry was preoccupied with the country's other financial problems, notably the collapse of one financial institution and the impending failure of two more.

But it is this long time that US investigators now looking at the case will be most anxious to examine. In that time, Daiwa raised substantial funds on international money markets while the cost of borrowing for Japanese banks was still relatively low.

FT WEATHER GUIDE

Europe today

High pressure from Denmark, over central Europe and the Mediterranean will result in settled conditions. Dense fog will form during the night in the Low Countries, Germany, England and France. Most of the fog will dissipate by the afternoon, but low cloud will persist in some places.

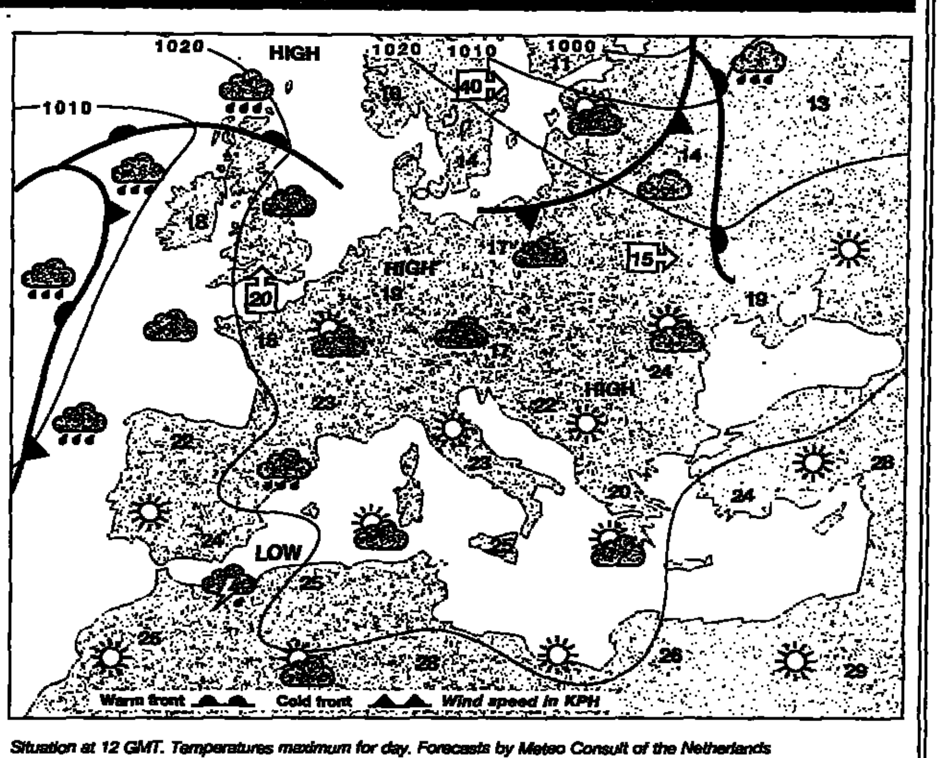
Spain will be sunny, although eastern regions will have showers.

High pressure over Italy and Greece will bring sunny and warm conditions with temperatures reaching 25C.

The Balkans and eastern Europe will be mild with sunny spells. An active low pressure area over northern Scandinavia will move east causing strong winds over the Baltic Sea.

Five-day forecast

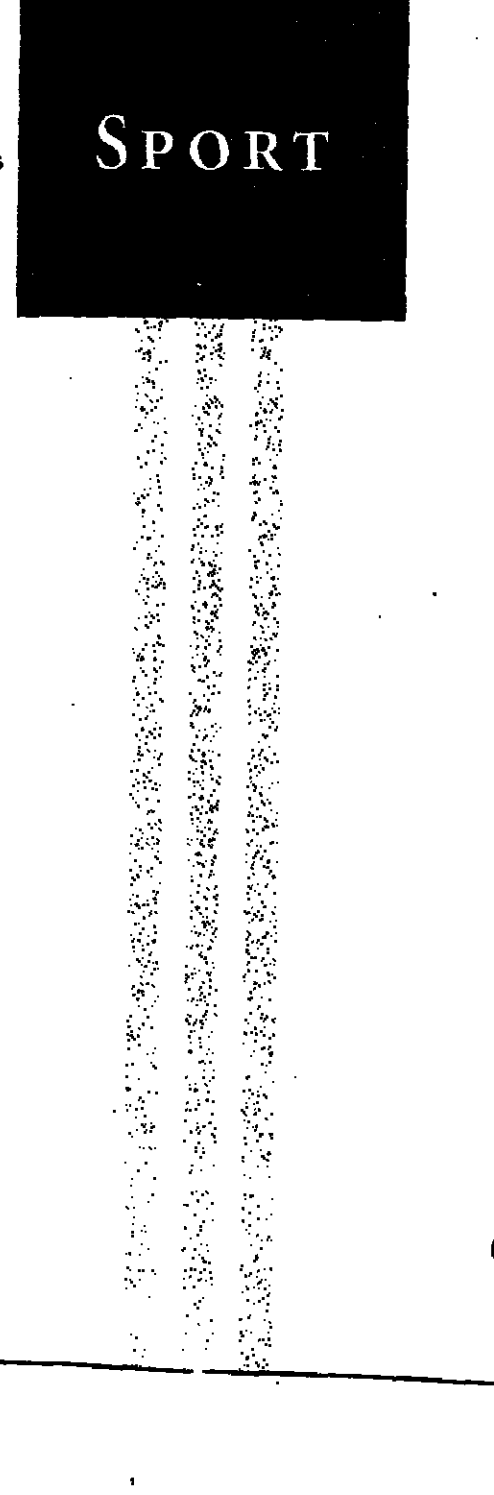
Central and eastern Europe will continue to have early morning and evening fog, with sunny spells in the afternoon. Low pressure areas will bring more unsettled conditions to western Europe. Rain is expected in Ireland and Scotland.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	rain	19	Caracas	thund	31	Faro	fair	23	Madrid	cloudy	22	Rangoon	fair	33
	Celsius		Belfast	cloudy	17	Cardiff	fair	18	Frankfurt	cloudy	18	Majorca	shower	22	Reykjavik	fair	4
Abu Dhabi	sun	36	Belgrade	fair	23	Casablanca	sun	24	Geneva	fair	19	Malta	thund	25	Rio	cloudy	27
Accra	shower	30	Berlin	fair	17	Chicago	fair	23	Gibraltar	fair	22	Manchester	fair	20	Rome	fair	23
Algiers	shower	25	Bermuda	fair	28	Cologne	cloudy	20	Glasgow	cloudy	17	Manila	shower	30	S. Frsco	sun	27
Amsterdam	cloudy	19	Bogota	cloudy	19	Dakar	fair	32	Hamburg	cloudy	16	Melbourne	shower	18	Seoul	sun	24
Athens	fair	22	Bombay	rain	34	Dallas	fair	29	Helsinki	fair	12	Mexico City	shower	20	Singapore	cloudy	31
Atlanta	shower	24	Brussels	fair	19	Delhi	sun	33	Hong Kong	fair	28	Miami	thund	32	Stockholm	fair	13
B. Aires	sun	19	Budapest	fair	22	Dubai	sun	37	Honolulu	fair	31	Milan	cloudy	21	Strasbourg	cloudy	18
B.ham	fair	20	C.hagen	fair	14	Dublin	cloudy	18	Istanbul	fair	21	Montreal	shower	14	Sydney	fair	26
Bangkok	shower	31	Cairo	fair	28	Dubrovnik	fair	24	Jakarta	thund	32	Moscow	cloudy	15	Tangier	fair	24
Barcelona	shower	21	Cape Town	fair	14	Edinburgh	cloudy	17	Jersey	cloudy	18	Munich	cloudy	16	Tel Aviv	sun	28
									Karachi	sun	40	Nairobi	fair	27	Tokyo	fair	23
									Kuwait	sun	37	Naples	cloudy	23	Toronto	fair	27
									L. Angeles	sun	31	Nassau	shower	31	Vancouver	rain	14
									Las Palmas	cloudy	26	New York	sun	28	Venice	fair	21
									Lima	cloudy	19	Nice	fair	22	Vienna	fair	20
									Lisbon	fair	24	Nicosia	fair	29	Warsaw	fair	18
									London	fair	21	Oslo	fair	11	Washington	sun	29
									Lux.bourg	fog	18	Paris	cloudy	23	Wellington	fair	14
									Lyon	fair	21	Perth	sun	25	Winnipeg	rain	10
									Madeira	sun	25	Prague	cloudy	18	Zurich	cloudy	17



NORTH EAST ENGLAND

A region reinvented

Chris Tighe sees signs of vigour and confidence in a blackspot of industrial decline

These are extraordinary times for north east England.

The economy of England's four north east counties, rooted for generations in the geology and geography which fostered its traditional heavy industries, is undergoing revolutionary change.

In less than a year, the region has attracted two of the world's biggest and most coveted new inward investment projects, Samsung's £450m European electronics complex and Siemens £1.1bn microchip plant.

The Samsung plant, the first phase due to be officially opened by the Queen today, is the largest Korean investment in Europe and Siemens' project is the biggest single high technology investment in Britain.

Since Siemens' August announcement, the Japanese electronics group Fujitsu has heightened the strategic importance of its County Durham semiconductor plant by announcing a £816m expansion, boosting investment at its Newton Aycliffe site to £1.2bn and thus making it the UK's biggest inward investment.

Nissan, which in 1984 triggered the north east's Far East investment wave by choosing Sunderland for its European car plant, has consolidated its £1bn manufacturing presence on Wearside by unveiling plans for a £250m investment.

And the region's economic regeneration body, the Northern Development Company, celebrating a record year in 1993-94 – and anticipating an even better performance this year – recently announced that its Strategic Supply Chain Programme, designed to unlock business opportunities between new and existing companies, helped generate almost £100m in contracts for regional companies last year.

Such large-scale investment of resources and energy in a mere 12 months into reshaping the region's economy is momentous enough, but these developments are only part of the upheavals it has undergone in little more than a year.

The north east has seen Swan Hunter, sole survivor of a centuries-old industry in the region, cease shipbuilding but then be bought with the objective of breaking into the emerging offshore oil industry market for floating production storage and offloading systems.

The deep coal mining industry, inextricably linked with the region's first industrial revolution, has shrunk to just one pit, Ellington in Northumberland.

The global restructuring of the chemicals industry has meant significant change for Teesside, as some of the activities of the once monolithic ICI have been spread among a diversity of companies.

The region's two utilities have been in the national spotlight, with Northern Electric resisting the first hostile takeover of a regional electricity company and Northumbrian Water bracing itself for Lyonnaise des Eaux to make a formal takeover bid.

Long-standing indigenous companies, such as Rolls-Royce Industrial Power Group's turbine generator company Parsons, have won big orders but undergone radical reappraisal and painful redundancies.

The local religion, football, has seen a resurgence, with Middlesbrough and Newcastle United now playing in the premier division and Sunderland edging nearer a solution of its relocation problems. The single-minded drive of Sir John Hall to make Newcastle United a focus of sporting excellence, and a money spinning business, has helped create a buzz in the city.

The redevelopment plans laid by the urban development corporations of Tyne and Wear and Teesside have been coming to fruition, transforming once familiar, mostly industrial landscapes with bewildering speed into business parks, housing and leisure areas.

And, in a dramatic shift whose full social implications are only beginning to show, women in the region are increasingly finding it easier to gain employment than men, as traditional heavy employment has shrunk and light manufacturing and service sector employment has grown.

"I think the [regional] economy is extremely strong and buoyant, there's a tremendous burgeoning enterprise culture which has developed in the last few years," says northern region Confederation of British Industry vice chairman Sir Ian Wrigglesworth. The north east's economy, strongly geared to export markets, is now very much part of the European economy, he says. "This is one of the most international economies of the UK."

With Swan Hunter's demise, he contends, the last old embers went cold. "What the region is about now is electronics, automotive components, pharmaceuticals, education, all the modern industries of the world."

Yet, amid all this change, the region's unemployment rate stubbornly continues to be the highest in mainland Britain. In Hartlepool and South Tyneside, the overall male jobless rate remains around one in five. In some parts of Newcastle, the city council estimates, it approaches 60 per cent. And although Youth Training leavers in the north do better than the national average in obtaining qualifications, fewer than the national average find jobs.

The north east's relative lack of regionally headquartered quoted companies remains a serious structural weakness. According to recent figures from stockbrokers BWD Rensburg, the north-east and Cumbria at the end of June had 33 plcs; Scotland had 81, the north-west 116, Yorkshire and Humberside 132, the West Midlands 120, and the East Midlands 69.

Inward investment by companies ultimately controlled from elsewhere cannot totally compensate for a deficiency of regionally controlled indigenous plcs. In spite of the growth of promising locally founded businesses, such as Sage and Quality Software Products, and filtration equipment manufacturers domnick hunter, other plcs have dropped off the list, mostly through takeover.

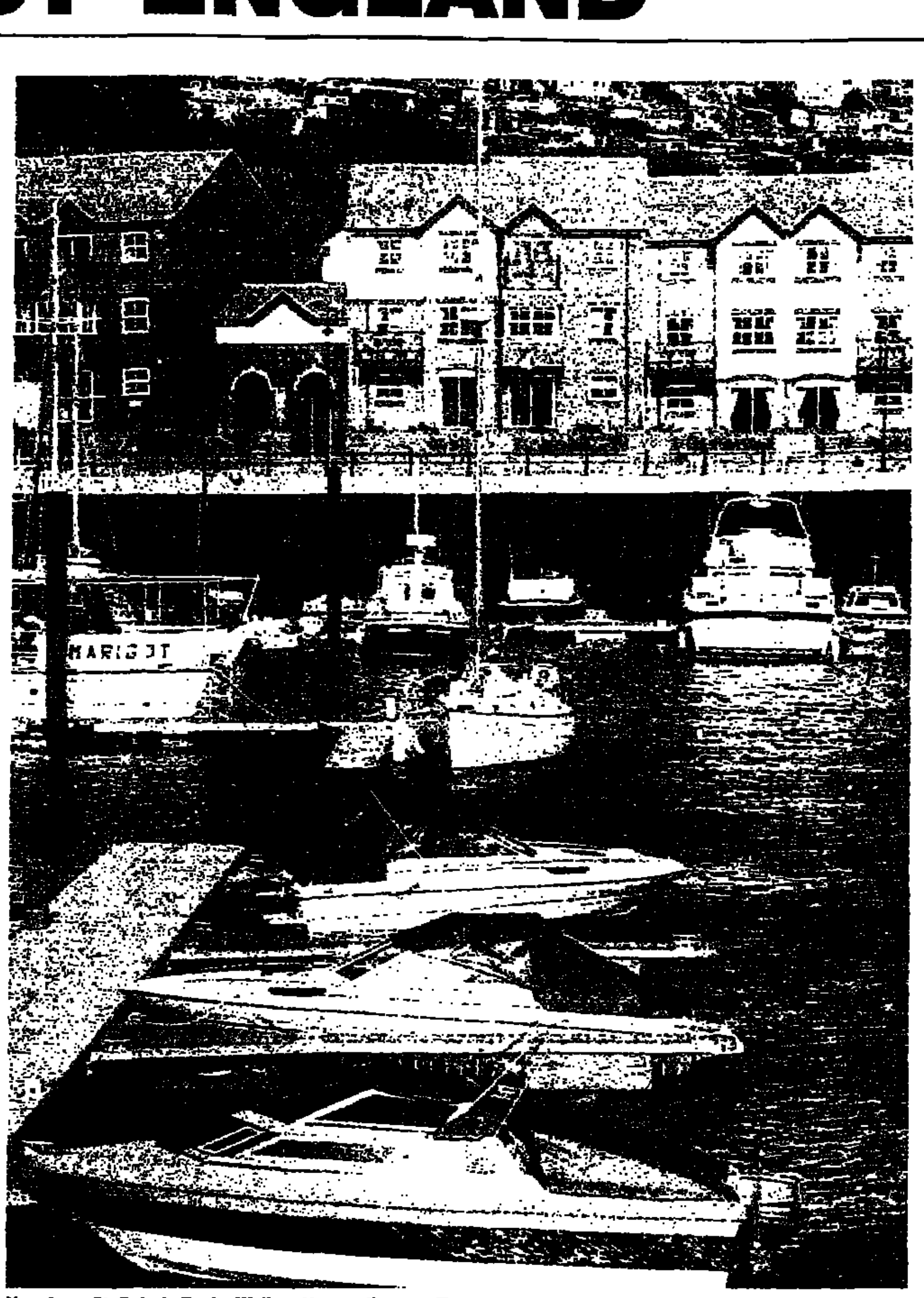
Mr Nigel Sherlock, chairman of the region's main stockbrokers Wise Speke and also a member of the London Stock Exchange board, is hopeful that the next five years will see around a dozen flotations of locally grown companies. "They are beginning to build up now," he says.

But there remains a very long way to go to counter the region's longstanding problem of a high degree of external control of its economy.

That all this should still be the case, despite a huge regeneration effort, a plethora of economic development initiatives and 60 years of government regional assistance – a policy born in Tyneside in the mid-1930s – underlines the scale of the regeneration task.

The continuing importance of manufacturing industry in the region, even after the loss of much of the traditional activities, should not be understated. In 1993, manufacturing accounted for 29 per cent of the north's output, against a UK average of 22 per cent. The north ranked third among UK regions in economic dependence on manufacturing, after the east and west Midlands. This, of course, also indicates that the north's service industry, despite growth in recent years, remains smaller than the national average.

The fact that the north in 1992 had the second highest level of gross value added per employee in manufacturing, after the south east, illustrates its achievements in upgrading performance.



New face: St. Peter's Basin, Walker, Newcastle upon Tyne

This underlines the trend of recent years towards heavy capital investment, increased productivity and flexible working practices, combined with job-shedding; while the region's manufacturing employment fell by one third over the period 1980-1994, the sector's output increased in the same period by one quarter.

Even so, in 1993, the region's gross domestic product ran at 89.4 per cent of the UK average, giving the lowest output per head in England. Between 1990 and 1992, when the national economy was in recession, the north's output per head edged closer to the UK average, raising hopes that the region was at last catching up. But between 1992 and 1993 as the national economy recovered the gap between the north and the UK widened.

"The worry has to be that the gap which was narrowed during recession will start to widen again as the national recovery gathers pace," says Mr Keith Burge, managing director of Newcastle-based Economic Research Services.

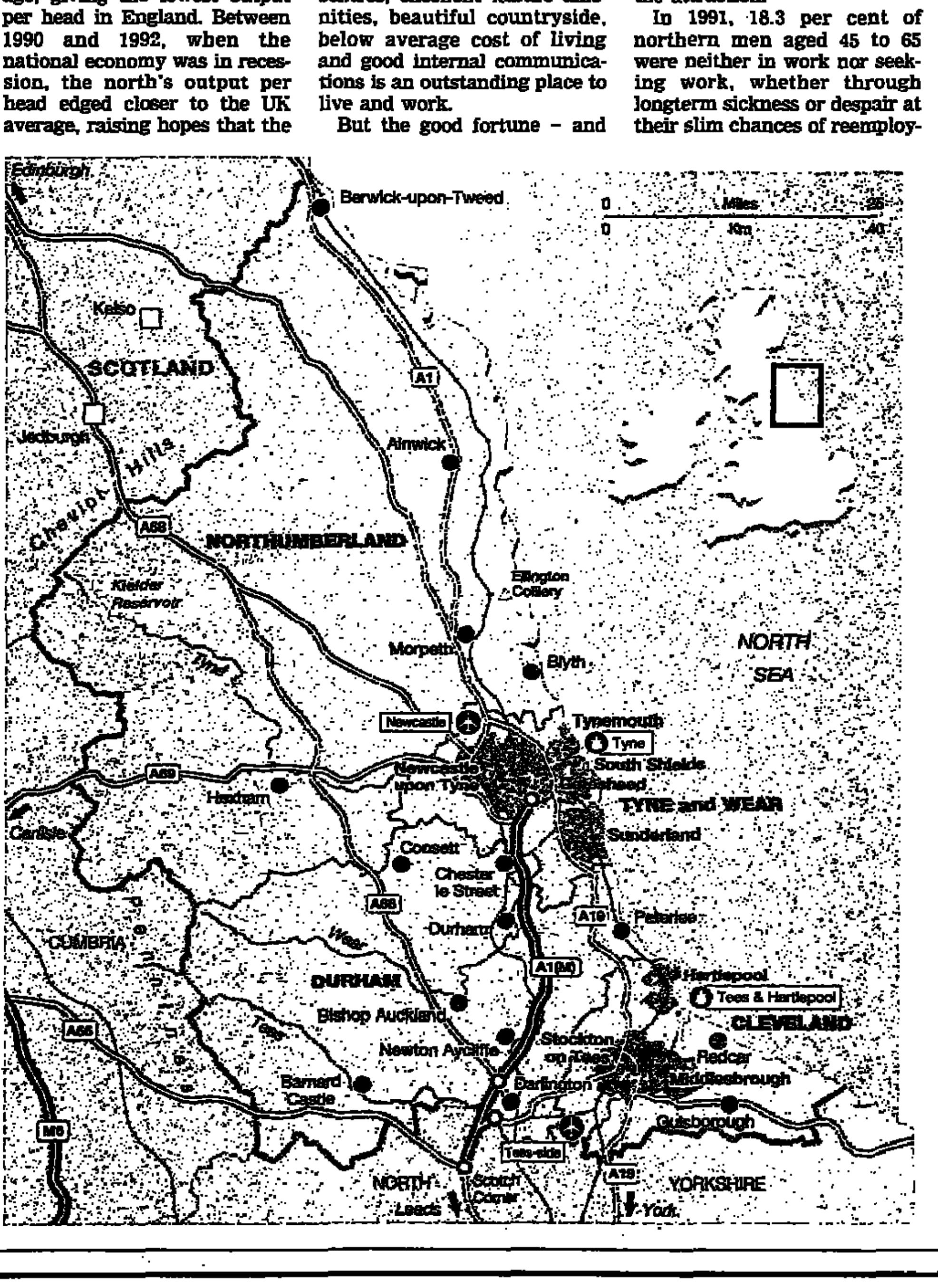
For those in reasonably paid employment the "new north east", with its much improved environment, smart shopping centres, excellent leisure amenities, beautiful countryside, below average cost of living and good internal communications is an outstanding place to live and work.

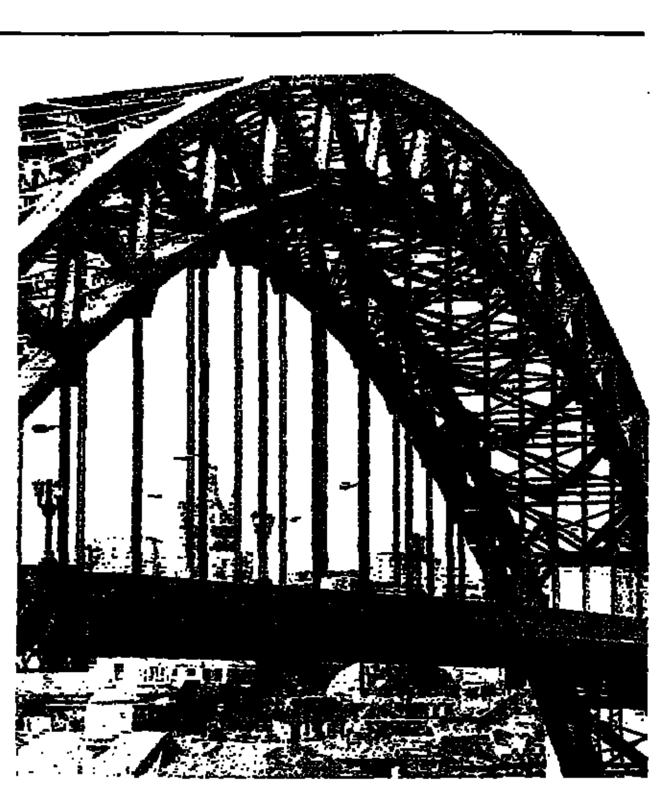
But the good fortune – and the level of enthusiasm for the profound changes gripping the region – is most unevenly spread.

In 1993, one in six households in the north, a higher proportion than in any other region, had a weekly income of less than £80.

The region's below average pay rates are not such good news for their recipients as they are for incoming employers, although many inward investors insist that quality and availability of labour, rather than its cheapness, is the attraction.

In 1991, 18.3 per cent of northern men aged 45 to 65 were neither in work nor seeking work, whether through longterm sickness or despair at their slim chances of reemployment. The British figure was 11.1 per cent. In spring 1994, one in 75 employees in the north had been made redundant in the previous three months, a higher proportion than in any other British region.





Old face: the Tyne bridge in the centre of Newcastle upon Tyne

"The people doing well are on the whole the more articulate ones," says Mr Bob Howard, secretary of the northern region TUC and a director of the Northern Development Company. "Those left in the wilderness of unemployment and low pay are on the whole people who don't have an equivalent voice."

In 1975, 30 per cent of the region's production jobs were in coal, steel and shipbuilding; the figure is now less than 1 per cent.

National politicians and regionally based economic development bodies insist that the region is far better off, much less vulnerable, with its new diversified economy but many of those at the sharp end of change remain unconvinced.

The pace of the region's transformation in the last 15 years and the smashing of the prospect of certainty have been deeply unsettling for many ordinary people.

"I loved the mines, that was my life; I wish they were still open," says 48 year old ex-Durham miner Mr Jimmy Gillibrand, now a cleaner in a food factory, earning well under half his coal-face wage.

North east England has a long and venerable history as one of the world's great centres of entrepreneurship and inventiveness; discoveries and innovations for which it claims credit include the incandescent filament electric lamp, the steam turbine, the hydraulic crane and the principle of the rotation of the earth.

But running counter to this entrepreneurial spirit, it also has a tradition of employment in large factories and a relatively low proportion of small businesses. Tremendous effort has gone into encouraging self employment and new company formation in recent years but, with so much ground to recover, the rate of business creation has remained below the national average.

This region of 2.6m people, combining urban areas on the broad coastal plain to the east ringed by sparsely populated rural and upland areas, both benefits and suffers from its relative isolation.

Its apartness has helped to reinforce the remarkable strength of Tyneside's retail sector, but it has also made it difficult for Newcastle, the region's self-proclaimed capital, to strengthen its financial sector against competition from Leeds to the south and Edinburgh to the north.

Cost efficiency rationalisations by public and private sector organisations have also led to a seepage of regional offices out of Newcastle, mostly to Yorkshire. Among those who have scaled down their Newcastle operations in the last couple of years is the Labour party, much to the annoyance of party members in the area.

Many north east members of the Labour party, the dominant political force in the region, want a more full blooded commitment to English devolution than the party – led, ironically, by a north east MP – is currently proposing. There is also an active non-partisan Campaign for a Regional Assembly in the north east.

But within the business community there is little apparent enthusiasm for devolution for the region. "I'm not terribly thrilled about it," says Mr Sherlock. This, he said, was a personal view, but it is widely shared by north east business-people worried about a new layer of bureaucracy.

However, should Scotland, under a Labour government, achieve greater autonomy and political influence in controlling its own affairs, the north east is unlikely to sit back and do nothing if it feels itself disadvantaged.

There is already in the north east a regional awareness, a sense of identity and distinctiveness not nearly so evident in other parts of England. Regional commitment was a key battleground in Trafalgar House's fight to acquire Northern Electric; the belief that the region's biggest plc by market capitalisation should remain locally controlled is strongly held.

This wider sense of identity, bolstered by the close web of personal interconnections possible in a relatively small region, has become more evident in recent years as the themes of self-help and partnership have come to the fore.

The growing spirit of self-help – arguably given a hefty kickstart by Mrs Thatcher's 1980s jibe, during a visit to Tyneside, about "moaning minnies" – is evident in the development of Manufacturing Challenge.

This campaign, sparked by regional businessman and economic "agent provocateur" Karl Watkin, aims to double the region's output and treble exports within a decade. A new, wider grouping, the Northern Business Forum, is now being developed by leading regional CBI members with the aim of achieving above-national average growth in the northern economy.

The self-help spirit is also apparent in the growing self-confidence of the chamber of commerce movement regionally – the north east now has one Chamber, spanning the entire region – and in the presence of two active Business Leadership Teams, the Newcastle Initiative and Teesside Tomorow. In Wearside, a similar body, the Wearside Opportunity, has now been replaced by the Sunderland Partnership, comprising the city council and other bodies involved in economic development on Wearside.

And self-help lies behind the growth of the partnership philosophy which has enabled a wide range of interests to sink their differences, to create the Northern Development Company and to work together to clinch inward investment, with highly successful results.

Tribal rivalries, says NDC chairman Sir George Russell, are unlikely ever to be buried, but there is a new awareness that what is good for the region is good for its individual parts. "There's a genuine belief that if we can fill this area with good jobs, wherever they are in the area, it will benefit the rest."

While inward investment into the region dates back many decades, it has gained a higher profile since Nissan's highly influential choice of the north east in 1984 for its European car plant. The north east and Cumbria now have more than 380 foreign companies and the region claims to be the principal European centre for manufacturing investment from Asia Pacific countries.

However, the influx of high technology investors accentuates the challenges the region faces in upgrading its skills base.

The presence in this one relatively small region of five universities, each with specific strengths and a new eagerness to assist economic regeneration, has been important in wooing the new high-tech projects. But the north east continues to lag behind in educational performance despite improvements in recent years. It still has the lowest participation rates in England for full-time education beyond the minimum school leaving age.

"Education and training are the two key issues for the future," says NDC chief executive Mr John Bridge.

Aspirations among young people are lowest in precisely those areas where the need for social and economic uplift is greatest. Bringing the new jobs, the spirit of the "new north east", into the region's many disadvantaged communities is perhaps the greatest challenge of all. Hundreds of millions of pounds have been, and are being spent, on physical revitalisation work in such areas but there is a deeper human problem in communities whose liferaft of unskilled manual work has floated away.

"There are people now whose fathers didn't work and whose grandfathers didn't work; there's an endemic unemployment," says Sunderland-based Vaux Group chairman Sir Paul Nicholson, one of the region's most prominent businessmen.

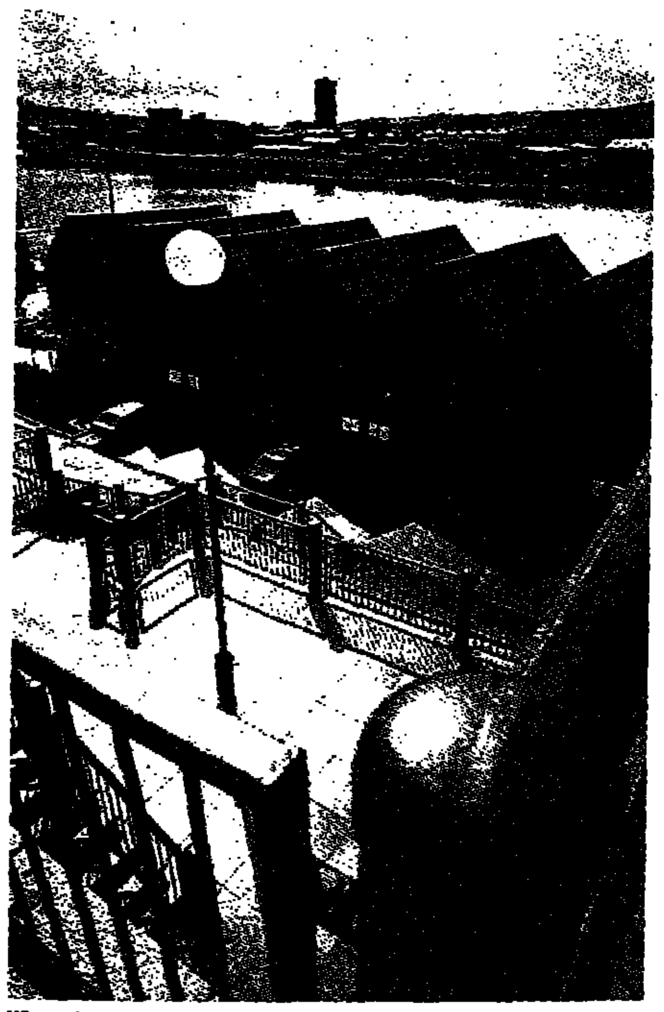
It was the recession of the late 1970s and 1980s, sparking traumatic industrial plant closures and rocketing unemployment, which underlined how sweepingly the region would have to reinvent itself. But the underlying problems in the regional economy were arguably evident long before, even as far back as the 1930s.

Sir George Russell, commented at NDC's annual general meeting last month: "We sometimes feel that economic regeneration is a bit like trying to fill a bath with water, knowing that from time to time someone is likely to come along and pull the plug out."

But Sir George, himself a Geordie born and brought up on Tyneside, says he believes the region is now at a turning point after half a century of gradual, and sometimes not so gradual, decline.

"Yes, there will be more job losses but we seem to have got ahead of the game, with more job creation," he says. "For the first time in 50 years we have got to that position. We are at a true watershed."

IN THIS SURVEY



Where the rivers run east: a view of Newcastle's Business Park

■ **Infrastructure: an assessment of the area's efforts to strengthen its transport and communications facilities**

Staging post on Europe's north rim

Ewart Mann says local roads are good but other links leave a lot to be desired

Transporting road freight around the north east presents few problems. Roads generally are good and traffic flows without serious congestion. Difficulties can arise, however, when it comes to getting access to the network from outside.

John Bridge, chief executive of the Northern Development Company, stresses the problems: "Without doubt one of the region's weaknesses is the east-west links – the A66 and the A69. The other one is the A1 north to Edinburgh. To complete the east coast route the A1 needs to be on a par with the M6."

The two north-south spines running throughout the area, the A19 and the A1(M), have undoubtedly been an element in the choice of location by the big overseas investors such as Nissan, Fujitsu and Siemens which have settled alongside them.

A decision on another river crossing to relieve increasing pressure on the Tyne Tunnel is becoming a matter of some urgency.

"It is clear that the A19 is a major artery for large successful industrial development and for the moment the Tyne Tunnel is a restriction on the artery," says John Bridges, adding that the NDC would like to see a project under way by the year 2000.

A further crossing, either bridge or tunnel, would certainly ease access to industrial sites on the northern side of the river, many of which now have Enterprise Zone status, and which could prove attractive to companies seeking to locate around the £1.1bn Siemens microchip factory in North Tyneside.

No government money is likely to be forthcoming and finance will have to come from the private sector, plus EU grants, as Alastair Balls, Tyne and Wear Development Corporation chief executive, explains: "The missing piece of the Tyneside jigsaw is another river crossing as soon as possible. "The local authorities and ourselves are putting great store by the private financial proposal that is currently out to the market."

The other major transport-related project seeking private backing is the extension of the Metro system to Sunderland. Support for the £63m project is being sought from the European Regional Development Fund. It is anticipated that the level of private finance will be around 45 per cent.

The project has been chosen as one of five out of 17 to come up for further examination later this month. If all goes well, construction will commence in 1997, with overall completion in 1999.

Along with 11 international partners, the north-east has played a leading role in the formation of the Northern Arc concept, aimed at promoting a northern trade route around the periphery of the EU from Ireland to the Baltic, North Germany and the countries of the former eastern block.

The north east coast's two leading ports of Tees and Tyne would be crucial to such a plan. Tees and Hartlepool, a privatised former trust port now owned by Teesside Holdings, is listed in the Department of Transport's latest annual port statistics as the UK's third largest, handling 43m tonnes.

The port has invested heavily in new container and ro-ro facilities. Main imports are chemicals, forestry products and iron ore and steel. Exports include chemicals, crude oil, iron and steel.

The Port of Tyne has also been modernising over the past five years, spending some £27m, with a further £15m earmarked.

Ro-ro and container facilities have been improved, as well as the construction of a three-berth ro-ro terminal at Jarrow handling several thousand Nissan cars a week, a contract won from the Tees in 1994.

Unlike the Tees, the Port of Tyne is resisting government pressure to abandon its trust status and the board has called upon transport secretary Sir George Young to stop privatisation plans announced last June. Following a consultation exercise with port users, it claims overwhelming support for its stance.

But north east airports are investing heavily in improvement, mainly in the passenger handling side. Newcastle International Airport, eighth in the UK airport league, last year opened a big extension to the terminal building and as part of a fifth of phase of the work is continuing with upgrading baggage handling facilities for domestic flights.

The international departure lounge is being extended and the number of check-in desks increased. Ambitious plans for the future include doubling the size of the terminal, creating separate, though linked terminals for domestic and international flights.

"Our plans have been pencilled in for 1998 and we see them as taking the airport into the next century. A recent study forecast growth up from our present 2.4m passengers a year to 7m by the year 2006," says marketing director Mike Finch.

Newcastle serves 12 scheduled domestic routes, including flights to all three London airports. International scheduled services fly to eight European destinations, including Brussels, Paris and Dusseldorf. A Tyneside Metro link runs into the airport, linking with Newcastle Central Station.

With the decline of heavy industry and the arrival of companies manufacturing high value, low bulk products, such as electronics, the prospects for significant increase in air cargo are considered good and last year Newcastle opened a new freight village.

Teesside is currently spending £7.5m as part of a five-year plan to improve passenger facilities. In addition to the new international arrivals hall, work is being carried out on a new departure lounge and enlarged passenger concourse. The main runway has also been resurfaced.

The airport is on course for a record 500,000 passengers this year, following a near 20 per cent increase the previous year. Against a national trend of holiday companies cutting availability, Teesside has secured a substantial increase in its 1996 charter programme.

Scheduled services fly to 10 UK destinations and to Amsterdam. It is heavily dependent upon its flights to Heathrow where slots are increasingly under pressure from international carriers. More than 180,000 passengers used this route in 1994.

A £340m scheme has just been announced to develop 250 acres of airport land for industrial and commercial use over the next five years, in association with the Semley Group. The project will include a £20m air cargo terminal.

Both airports are under local authority control and are resisting strongly government pressure to privatise.

■ **Manufacturing and service industries: the role of foreign investment**

Decline and partial rebirth

Chris Tighe reviews the years of painful restructuring and future prospects

The north east's economy, after half a century of accelerating transformation, is a patchwork of successes, potential and problems.

At one end, it has highly successful exporters, companies with world class quality products competing in the global marketplace.

At the other end, it has subsistence-level small businesses created as an escape route from unemployment, struggling to survive in overcrowded low skill areas of the service sector.

Inward investment has been an important element in bolstering the region's manufacturing sector and helping to offset an estimated loss of 160,000 manufacturing jobs in the north east and Cumbria between 1970 and 1990.

The NDC estimates the region now has more than 380 foreign owned companies including 130 from the US, the largest source by country of inward investment into the north east and Cumbria. The region now claims to be the principal European centre for manufacturing investment from Asia Pacific countries.

Between 1985 and 1994 inward investment is said to have directly created or safeguarded more than 50,000 jobs, and pumped an estimated £4bn into the region's economy – not including the recent Siemens, Fujitsu and Nissan announcements which should add another £2.16bn and 2,600 jobs.

Nissan's arrival has helped to create an automotive supply cluster around Wearside; more than 20 supplier plants have since moved into the area, boosting Sunderland's claim to be the UK's fastest growing centre for the automotive industry.

Inward investment has been crucial in creating a strong regional presence of white goods and household products manufacturers in the region, and has contributed to Northumberland's strong pharmaceuticals sector.

In Teesside, the acquisition of ICI product areas by BASF, DuPont and Union Carbide has created on one site, at Wilton, a concentration of leading multinational chemical producers probably unmatched in Europe. The recently launched Teesside Chemical Initiative is designed to build on the area's track record by tackling infrastructure weaknesses and attracting more chemical companies.

And investment into the north east, mostly by British-based companies, has made teleworking, especially telesales, a rapidly expanding regional sector. Arrivals and expansions over the last few years include British Airways, AA Insurance Services and US-owned marketing services company Matrixx Marketing, all now at Newcastle Business Park, and The Insurance Service at Sunderland's Doxford International business park, most of which is enterprise zone land.

The most recently announced teleworking incomer is London Electricity. It is moving a customer operations centre, handling telephone inquiries, 260 miles to the Doxford business park. The move could eventually create 600 jobs, but has been criticised by public service union Unison because pay rates on Wearside will be lower than they were in London.

As well as creating employment, inward investment, which accounts for one in five of the region's manufacturing jobs, has been important in preaching the importance of quality, flexibility and international competitiveness.

But success in inward investment is not enough; to prosper the regional economy needs more transformation from within than is currently apparent.

A recent book by Durham university economists, *(The Northern Region Economy, progress and prospects in the north of England)* pinpointed what it described as "some of the region's self-perpetuating and adverse trends": a high degree of external control, a limited range of business services, a poor record of local entrepreneurship and management and a low representation of R&D activities.

This is in turn reflected in the region's below average proportion of managers, professionals and non-manual workers, a deficiency which makes it more difficult for it to increase by indigenous growth its small number of quoted companies.

Levels of R&D activity in inward investors' plants have often been disappointing too; there are strong hopes that Siemens, which is planning a 50-person design and development unit at its Tyneside site, will prove the exception.

More than 60 per cent of those in professional occupations in the north are employed in public services, compared with 55 per cent in the UK.

In spite of the expansion of service industries within the region over the last 15 years, manufacturing remains a more important employer in the north than in the UK as a whole. Within the services sector the public services are dominant, while private services are less well represented than the national average.

Warwick University's Institute for Employment Research forecasts that business and financial services in the north, which accounted for 120,000 jobs in 1993, will grow by a further 20,000 by the year 2001. Other private services, also an important employment growth area over the past 25 years, are forecast to increase by 10,000 jobs to 65,000 in the region by 2001.

A steady increase in employment is also projected in education and health, with jobs rising from 180,000 in 1981 to 255,000 in 2001. But the Warwick researchers predict there will be fewer than 250,000 manufacturing jobs in the north in 2001, compared with 450,000 in 1971.

At present, the indicators on how the region's businesses are faring are mixed. The CBI's northern regional council meeting last month was generally positive about the state of trade: strong performance in exporting provided some cushion for the region against static consumer markets.

The Engineering Employers Federation last month said the region had the UK's strongest regional export performance in the previous three months.

But the CBI's Regional Trends survey for August suggested that while northern companies' order books in the previous four months had risen sharply and at a faster rate than the UK overall, businesses in the region were relatively pessimistic about the coming four months, expecting total orders to fall, whereas a pick up in the growth rate was anticipated elsewhere in the UK.

For indigenous northern companies, a very important potential growth area is the opportunity for securing work from the big inward investors.

Some companies have been highly successful in the development phase: McAlpine, for example, has had a continual presence on Fujitsu's Co. Durham site since the project began in 1989, and it has now been selected as the main contractor for the £816m expansion.

Architects Couves, headquartered in Newcastle since 1923 but working nationally, have completed the Hong Kong-owned Onwa television factory in South Shields and are now architects for Samsung's Wynyard, Teesside, development. "Inward investment has been tremendous for local industry", says Couves chairman Mr Mike Minter.

Manufacturers too should derive benefits from potential big new customers on their doorstep; hence the NDC's supply chain programme which last year generated almost £100m of contracts for regional companies.

But Mr David Bowles, NDC's business services director, says that for each company in the region which responds favourably to the supply chain concept, there are two which are reluctant.

"Two thirds are not as keen to expand their business as quickly as we would like," he says. "They are concerned about the new supply chain relationships."

The problem is a reluctance to open their books to customers who expect to influence suppliers' pricing policy and manufacturing methods. This reluctance, says Mr Bowles, does not augur well. "That's not going to keep them in business. If they want to win orders and new markets they have to accept their customers are going to insist they have these new ways of trading."

Nissan axle plant on Wearside, a motor industry growth area

■ **The investment chasers: organisations and personalities with a common aim**

Partnership is not just a pious word

Chris Tighe scans the bodies involved in finding and tapping the sources of foreign capital

Partnership, says Northern Development Company chief executive Mr John Bridge, is perhaps going to be the most overworked word of the 1990s.

Possibly, but nobody questions the importance of partnership's role in securing for the region a run of inward investment successes against fierce international competition.

Other factors, including grant aid, land and labour availability and an east coast location, have been crucial too. But without a united front, the region would have been unlikely to have proved so persuasive in its pitch for foreign direct investment.

The die was cast by the pursuit of Japanese car maker Nissan in the early 1980s, a success which provided a morale boost after some traumatic years of industrial recession. Although some trade unionists were uneasy about the "beauty parade" to which they subjected themselves in order to make an orderly, non-threatening bid for single union status at Nissan, it was evident that self-restraint had proved more effective than squabbling and in-fighting.

Out of this consensus, the NDC, a tripartite organisation embracing the local authorities, the trades unions and the private sector, was born. Other areas have envied this model but found it difficult to emulate. "You can't come up with regional solutions till you have regional consensus," stresses Mr Bridge.

David Taylor, chief executive of government-funded economic regeneration agency English Partnerships, applauds the region's partnership efforts. "People really can get their act together and find a common cause, it takes a lot of discipline to do that," he says.

In the recent major inward investment successes, individual partners may vary, depending on geographical location, but the basic partnership blueprint is common – NDC, English Partnerships, the Government Office for the North East, the local authorities, the Training and Enterprise Councils, the trades unions and the local economic development bodies.

The region's two urban development corporations, in Tyne and Wear and Teesside, have also played both a direct and indirect role; their work in the physical transformation of large tracts of, mostly, urban land has been vital in the region's self-promotion.

Also vital, although more in the background, is the role of private sector consultants and advisers, the educational institutions, landowners and property developers and the public utilities; water availability and quality, for example, has been critical in the north east's sudden entry into semiconductor manufacture.

However, partnership would be an empty word were there not sometimes differences to be surmounted, not least over how the credit should be apportioned. Neither Samsung nor Siemens, insists Mr Taylor, would be in the north east if it were not for English Partnerships and its ability to buy land. "There's no substitute for a cheque book at the end of the day," he says.

More fundamental is the stance of the recent inward investors towards union recognition. Nissan gave sole recognition to the electrical and engineering union, the AEEU, but negotiates through a works council of elected workforce representatives who need not be union members. Among later big incomers, Fujitsu recognises no union and Samsung is perceived by the unions as negative about unionisation.

Regional union leaders have now asked the NDC, of which they form part, to assist them in presenting their case to the inward investors. Siemens, which recognises unions at other UK sites, will be an important barometer.

Another aspect of partnership has been the need to built connections between the multiplicity of economic regeneration bodies in a region once described by a Durham University commentator as a "policy lab where initiatives are tested, sometimes to destruction".

When Tyneside Training and Enterprise Council was working to create its Business Link, it had to negotiate with no fewer than 12 "core partners" and a "wider partnership" of 21 other bodies in its area.

Privately some economic regeneration activists complain of "initiative fatigue" but it is a rare organism which admits its own superfluity. Like it or not, economic development is one of the north east's most expansive sectors.

Among the most significant of the many bodies is Northern Development Company whose high profile since its formation in 1985 is due primarily to its leading role in securing inward investment for the region. This effort will continue; semiconductors, automotive components, pharmaceuticals, chemicals and supply industries in activities such as precision machining are among the areas where NDC sees potential for more inward investment.

> Rivalry between England's regions is a handicap

Increasingly, however, it is also involved in supporting existing investors to encourage them to remain and re-invest. As international companies reappraise how they can most efficiently supply world markets, keeping and growing the inward investment one already has is a prime consideration.

NDC is also working hard on supply chain development to ensure the region gets the maximum value-added out of inward investment by improving the flow of business opportunities between new and existing companies. In 1994-95 NDC estimates its Strategic Supply Chain Programme helped generate almost £100m in contracts for regional companies.

Both the support of existing investors and the supply chain work are intended to help create "embedded", rooted, inward investment rather than "enclave" investment in branch plants which can all too easily be closed.

English Partnerships, operational since early 1994, has the task of bringing together the private, public and voluntary sectors to create economic growth and jobs in areas of England affected by industrial and urban decline.

It combined government grant regimes, such as derelict land grant, with the activities of English Estates, the state-backed industrial and commercial agency which was headquartered in Gateshead. But English Partnerships has ruffled some feathers by its broader interpretation of its function.

"We regard ourselves as having two major roles, to promote urban regeneration in the inner city and to encourage inward investment," says chief executive Mr David Taylor.

England, he adds, has always been disadvantaged, against Wales and Scotland, in its pitch for inward investment by the lack of coordination between different areas. In the case of Siemens' search for a UK semiconductor site, it was English Estates which showed the company the eight potential English sites.

English Partnerships, with a 1995-96 budget of £350m, also has the financial means quickly to acquire sites on inward investors' behalf, a key factor in winning Samsung for Teesside.

It is now investigating the chances of attracting Samsung and Siemens suppliers into the north east. "We are being far more proactive," says Mr Taylor.

The Urban Development Corporations, set up in 1987, and the north east's two UDCs – Tyne and Wear and Teesside – wind up in March 1998. Tyne and Wear was given the task of regenerating 6,000 acres of land alongside the rivers Tyne and Wear, while Teesside has 19 square miles of land under its control.

Given the scale of their task, and the inevitable hitches caused by recession, complex land assembly and changing market demands, some observers wonder if the UDCs should have had a longer life to complete their work before handing over to successors, be they local authorities, residuary bodies or the private sector.

Charged with the physical and economic renewal of the areas for which they are responsible, both have had a big impact on the appearance and use of land near the region's three main rivers.

The TDC has this year changed even the look of the River Tees with a £50m barrage project. It has also transformed Hartlepool's water frontage with a £170m marina including a simulated fishing village, Hartlepool Historic Quay, geared to creating a tourist industry for the town.

It participated in wooing Samsung to Teesside and clinched a £175m investment by American cable and telecommunication company Comcast, expected to create 1,000 jobs. But after a public inquiry went against it, the TDC had to revise retail expansion plans for its Teesside Retail and Leisure Park, by building on the former Stockton racecourse and was criticised for adding too much retail space.

The TWDC is pressing ahead with a number of high profile developments, including its £170m East Quayside leisure, office and housing scheme in Newcastle. The construction here of more than 30,000 sq ft of new offices, some already occupied by companies moving from Newcastle's present central area, has underlined the need to find a solution to the problem of under-use of the city's magnificent Grainger Town neo-classical buildings.

Other flagship schemes include the creation of a large new campus for Sunderland University on former shipyard and port land in Sunderland, the £115m Sunderland Enterprise Park, the TWDC's biggest business project, and the £245m Royal Quays mixed development at North Shields.

So far, Tyne and Wear estimates it has secured nearly £760m of private sector investment and is on course to exceed the £1bn target set by the government. Public money invested to March 31, 1995 totalled £314m.

Teesside says private sector investment in its area has so far reached £837m, and public sector input £238m. It is targeting an eventual public sector investment of £1.4bn-£1.5bn.

Northern Rock, with 252,000 borrowers, says business is good

■ Building societies: where home-grown lenders compete with the nationals

Backs against the wall

There are six local building societies. But the smaller ones find life getting harder

Although most national building societies have a presence in the north east, the home-grown variety are still very much in evidence, ranging from the Newcastle-based Northern Rock, eighth largest in the country, with assets in excess of £10bn, down to the single branch Standard Building Society.

There are six local societies, three with head offices in Newcastle – Northern Rock, the Newcastle and the Universal; the Mercantile and the Standard in North Shields; and the Darlington based in the town of that name.

The four smaller societies have only about 23,000 borrowers between them. Many experts doubt whether they can all survive and regard further consolidation as inevitable.

The most recent amalgamation in the north east took place in October 1994 when the Northern Rock and the North of England joined forces.

A common view is that, although the minnows may have quite healthy balance sheets, they lack the necessary skills for an increasingly sophisticated market. Dependence upon local links may not be enough to help them withstand the aggressive marketing of the larger societies.

Bill Midgley, chief executive of the Newcastle, second largest in the north east, believes that too many societies are hanging on grimly in the hope that the property market will come back.

"I believe the housing market has changed forever and that we are moving more and more towards the northern European method of buying houses, something not seen in this country for the past 20 years."

Both Northern Rock, with 252,000 borrowers, and the Newcastle, with 36,600, report business as good. Northern Rock's pre-tax profit for 1994 was £117.6m, up 31.7 per cent on the previous year.

The Newcastle says it is having a very good year with halfway figures showing profit up 10 per cent and assets up by about 6 per cent, which, Newcastle says, is around twice the average for the building society sector.

Both societies are nailing their colours firmly to the mutuality mast. Northern Rock managing director Christopher Sharp condemns the current trend for building societies to convert to company status.

This, he argues, would centralise power and all the local benefits to the north east of having a powerful financial voice speaking for it would be lost. For that reason, it was very important for the building society industry in the north east to remain independent.

"While the market place for building societies is more competitive than ever, a mutual organisation does not have to answer to shareholders or follow short term policies. It can prosper by offering excellent service and best rates to its customers."

The Newcastle's Bill Midgley takes much the same line, suggesting that the time has come for the building society industry to relearn what mutual means, claiming that it was a word that had been bandied about in a cavalier fashion in recent years.

"We have been made to realise that we do have members and we have to look after them. Where membership will actually mean something is in terms of what a member gets back. If we are going to be mutual we've got to demonstrate it. If we don't, our members will desert us in large numbers."

Both societies have started rewarding loyalty among both borrowers and savers. Next month, Northern Rock launches an £11m package, awarding a bonus to borrowers who are seven years or more into a mortgage. Investment accounts are also being streamlined.

Ewart Mann

■ Finance and professional services: perspective on the potential for growth

The competition is formidable

The financiers of Manchester and Leeds cast a big shadow, says **Ian Hamilton Fazey**

Financial and professional services grew by 25 per cent in north east England and Cumbria during the four years from 1990, firmly establishing the sector as the most valuable contributor to regional gross domestic product after manufacturing.

But all is not well: centred on Newcastle, this growing strength has not been able to mask a comparative weakness against the more strongly developing northern cities of Leeds and Manchester, 100 miles to the south in the M62 corridor. The issue stirs north-eastern sensitivities.

Mr Michael Denny, a pioneer of independent venture capital funds in the regions and founder of Northern Investors in Newcastle, sums up the problem. "It's a matter of market size," he says. "Everyone gets steamed up about our falling behind Leeds and Manchester, but it's about markets and what they can support.

"The reality is that there are only 1.4m people in work in the north-east and Cumbria. The place has gone through a big restructuring, but it's a micro-market. Within 50 miles of Sheffield there are about 100 plcs. In the whole of the north-east there are under 40."

His argument is borne out by regional statistics. The gross domestic product of north-east England and Cumbria – the government's "standard north" for statistical purposes – was £25.64bn in 1993, the latest comparative figure, accounting for 4.8 per cent of UK gdp. Only Wales, East Anglia and Northern Ireland were smaller.

By contrast, Yorkshire and Humberside accounted for 7.9 per cent of UK gdp, while north-west England – the largest region outside London and the south east – contributed 10 per cent of the national total of £538bn.

In terms of labour markets, north west England had a workforce of 3m people in 1994, when Yorkshire and Humberside's figure was 2.4m and the north's 1.4m. When it comes to quoted companies – which fuel demand for quality improvement in financial and professional services – Manchester and Leeds have benefited from having more than 240 of them along the M62 corridor.

Nonetheless, the north's financial and professional services sector is doing well in its own marketplace and was worth £4.4bn in 1993, accounting for 17 per cent of regional gdp. Manufacturing contributed 29 per cent.

With four-year growth matching that of the rest of the north, hundreds of jobs – many of them highly-paid – have been created, helping to keep affluent, middle-class spenders and leaders in the region and attract others.

Indeed, the more important contrast may be with Greater London. Although financial and professional services earned £31.16bn – 39 per cent of the capital's total gdp – in 1993, the figure was only 10 per cent up on four years previously, which means it declined in real terms against inflation.

This evident shift to buying services locally has benefited all UK cities, including Newcastle, where the core of the north east's services are based.

It is also helping to change social attitudes. Mr Peter Folkman, chief executive of North of England Ventures, a Manchester-based group chosen to run the £5m Cleveland Venture Fund for Cleveland county council, says local availability of capital is helping the emergence of a widening base of entrepreneurship within a region once notorious for its waged, dependent, working culture.

Mr Antony Ross became Newcastle director of 3i, the investment capital group, in May, moving north from Nottingham, to where he had previously moved from London. He has been pleasantly surprised at the entrepreneurial verve he has found at individual level.

"There has been an upturn in demand for funds," he says. "We put £10m into northern businesses last year. There are more and more equity opportunities. There is an increasing number of expanding entrepreneurial businesses, particularly those based on exporting.

"I do feel there is a critical mass to support a full financial services infrastructure, not least because there is a great willingness to use local services. Businesses bang on the door and ask why you can't do something because they don't want to go to Leeds. Apart from anything else, it's a hell of a long way."

The size of the market, however, determines how full the infrastructure can be. As Mr Denny points out, it has not grown enough – nor are most deals big enough – to support a merchant bank, 10 of which now cover the north from the M62 corridor.

In the north east, therefore, much of merchant banking's advisory role is instead played by leading firms of accountants, notably Price Waterhouse, KPMG, Coopers & Lybrand and Ernst & Young.

Two of Ernst & Young's 10 Newcastle partners, for example, work in corporate finance, with five managers and five support staff. The firm also has a senior partner and managing partner in Newcastle, even though the northern regional partner is based in Leeds.

Mr Denny says: "But what matters is how we are all doing, not comparisons. Things are going extraordinarily. I cannot remember a better time. It's not good in property and retail, but our manufacturing investments have proved excellent. We have got over the problem of market size by making a third of our investments in Scotland."

His Northern Investors is now in its 12th year. It started with £5m subscribed by local companies and superannuation funds and now has £15m in net assets. A second effort created the Northern Venture Partnership Fund, with a £16m investment pot.

The next fund will be the Northern Venture Trust – a venture capital trust – for which Mr Denny is trying to raise between £10m and £15m. Placings closed in September and the trust opened for general public investment on October 4.

The sector's north-east heavyweight is Wise Speke, the stockbroking and financial services group. Although now part of the London-based Ockham Holdings, it remains secure in its Newcastle fastness, with offices in Leeds, London, Manchester and Middlesbrough.

Sir David Chapman, the corporate development director, lists Wise Speke's strengths as 290 staff, 23,000 private clients, £1.5bn under management, and £14.2m earnings in fees and commissions in 1994, when operating profits were £1.8m.

Many operations are national: Wise Speke's corporate employee services subsidiary, for example, acts for 25 of the 100 FTSE companies, advising clients on share options and financial planning for senior personnel.

The firm also gets over the market size problem by basing its corporate finance operations in Manchester, although one of three directors involved lives in Durham and one in North Yorkshire.

Crucially, however, Wise Speke also provides a national profile, with full capability for flotations and stock market analysis. It is broker to 36 companies and, as Sir David points out, helps fuel demand for other professional services of matching quality.

"What pleases us in Newcastle is that there are some very good firms of solicitors," he says. Combined with good accountancy advice, this helps avert the need to import some services from Leeds, the leading UK centre for corporate law outside London.

How will the sector develop? Mr Folkman thinks it will be difficult to pull in bigger players from outside the region when there are better rewards elsewhere and local practitioners have got much of the market sewn up, but a virtuous spiral may be developing for more home-grown provision.

"In venture capital terms the north-east is at the small end of the market," he says. "It is hardly surprising: Cleveland is a quarter the size of Greater Manchester. If people want anything big done, they have to go elsewhere.

"We would not have been there had we not had a chunk of money from the local authority pension fund to invest. It is hard to make money. It is very different from the M62 corridor because it is such a tiny market. "On the other hand, are we doing as well as we expected? The answer is yes. The dependency culture of about 10 years ago is changing and there is a much more widespread sense of individual entrepreneurship. Just being there, with capital available, is an important part of economic development."

High profile: north east MP and Labour leader Tony Blair at Newcastle's Economic Regeneration Strategy meeting last July

■ Samsung's £450m opening day

Global building block

Chris Tighe explains the background to today's Royal visit to Teesside

Both for Samsung and for the north east, many aspirations ride on the company's new £450m electronics complex, the first phase of which is opened today by the Queen.

For Korean-owned Samsung, currently the world's 14th largest industrial group, the complex is a key element in its aim of becoming a world brand, and ultimately one of the world's top five companies.

As part of its globalisation policy Samsung is establishing five industrial complexes in South America, Europe, China, Africa and South East Asia. It is aiming for world leader status in certain fields, such as electronics.

"I think Samsung are going to be one of the very few organisations who have integrated manufacturing competence," says Mr Daniel O'Brien, recently appointed managing director of Samsung Electronics Manufacturing (UK) who is responsible for the Wynyard complex. Those, he says, who control the supply chain will have competitive advantage.

Sir John Hall, the leading local developer, celebrates the Samsung move

For Teesside, the attraction of the Wynyard project is not only the complex's promised 3,000 jobs but the allure of growing involvement in the electronics sector, and the likelihood that more employment will be created by attracting Samsung suppliers. Samsung's purchasing requirements, initially estimated at £300m a year, also offer considerable potential for indigenous companies.

So far one Korean Samsung supplier, plastic casings manufacturer Young Shin, has moved into Teesside. Discussions involving others are in progress.

The project, the largest investment in Europe by a Korean company, is being developed on a greenfield site owned by Cameron Hall, the development company founded by Sir John Hall, MetroCentre developer and now chairman of Newcastle United Football Club.

The land forms part of the 6,500 acre Wynyard estate, bought by Sir John from the Londonderry family, once coal barons. Cameron Hall's plans to develop a 500 acre business park on the estate have been given a tremendous boost by Samsung's choice of the adjacent 400 acres.

Although the Samsung project was announced barely a year ago, the first phase is already in production, making microwave ovens and assembling computer monitors. Colour television production moves to the Wynyard site next summer from the company's nearby Billingham factory.

The second phase, to be completed by the end of the decade, will comprise plants for the manufacture of fax machines, colour display tubes and personal computers, plus centres for training, administration and – especially important for the north east – research and development. Wynyard will be Samsung's base for supplying Europe; the group's European headquarters is being moved from Frankfurt to London.

Details of the third phase are not yet finalised but it could include multimedia products and refrigerators. Semiconductor manufacture on the site is, from the region's point of view, one of the most exciting prospects; Samsung says only that it is keeping this possibility under review.

The company's favourable experience with its Billingham plant was a factor in its decision to choose the UK, and Teesside, over other European locations. Other reasons were British government support, a well-developed infrastructure, the UK's cultural, linguistic and social environment and the availability in the north east of a highly trained, efficient workforce.

The financial package which helped attract it consisted of UK government assistance of £58m, mostly regional selective assistance, £16.7m support from Cleveland county council and Stockton and Hartlepool borough councils, Teesside Training and Enterprise Council and Teesside Development Corporation and £12m input from English Partnerships into site infrastructure works.

Welcome though Samsung's investment and jobs undoubtably are in the region, the Wynyard site's early days have not been entirely free of controversy, however.

Last month, the company raised the wages of its present 720 Billingham and Wynyard production employees by between 9.3 per cent and 14 per cent. Samsung said this was the result of a review by the newly arrived Mr O'Brien and dismissed as "idle rumour" a claim that some employees had been considering a protest walkout about low pay during the Queen's visit. The new rates, says Samsung, are above the regional average and reflect its aspirations.

Trades unions within the region are also unhappy that Samsung has shown no enthusiasm for giving recognition rights to any union. The company shows no sign of shifting ground on this, but says it is planning a process of consultation with employees.

IV NORTH EAST ENGLAND

■ Natural resources roundabout

At last, coals to Newcastle is not a joke

Michael Smith follows the changing fortunes of an area rich in minerals and water

The hundreds of deep coal mines which were once the north east's most distinguishing characteristic have, with one exception, all been closed. But the north east reaps enormous benefit from other energy and natural resource industries.

The region's oil and gas, electricity and water sectors are all thriving, although they are also facing up to significant change.

The electricity sector, and its main fuel, coal, have grabbed the largest slice of the region's attention in the last few years.

The decline of coal is, of course, not peculiar to the north east, Britain's miners having dwindled from 1m to a mere 10,000. However the decline has been particularly hard felt in a region which once considered itself the capital of coal. It could even have been worse. Last year it looked for a time as though underground coal mining might disappear completely in the area with the proposed closure of Ellington pit in Northumberland.

RJB Mining, the company which inherited all of British Coal's three English regions last year at the industry's privatisation, had other ideas. It is confident of finding markets for Ellington's coal and earlier this year opened up the mine, albeit on a smaller scale than in British Coal days.

Opencast mining is another matter in this part of England. It remains a significant industry whose operators who include RJB and Crouch Mining. Opencast coal is far cheaper to extract than deep mined coal but, because of noise and air problems, it is more controversial. Nonetheless it provides work for several hundred people in the region.

The area's electricity industry has also been controversial in the last year. This is partly because of an attempted takeover of Northern Electric, the region's power distributor, and partly because of efforts by the National Grid power transmission company to increase the capacity of an "interconnector" which carries electricity from Scotland to England.

Northern's takeover battle with Trafalgar House, which launched a £1.2bn offer for its shares, attracted national attention, because it was the first time that a regional electricity company had been bid for since the industry's 1990 privatisation.

There was widespread concern about it within the region because many people felt the north east would be deprived of one of the largest companies with headquarters in the region.

In the end Northern saw Trafalgar House off with the help of the power regulator whose unexpected tightening of industry price controls forced the conglomerate, already facing up to a tough task in sorting out its existing subsidiaries, to think again about the merits of a bid.

Nonetheless, Northern emerged from the bid a rather different company. As part of its defence it offered shareholders a package of incentives worth more than £5 a share and it felt honour-bound to go through with distributing it even after it became likely that Trafalgar would not proceed with its bid.

Some £2 of the £5 incentive – or more than £200m – has already been paid out. Some City analysts question the wisdom of distributing the full package. They argue that it will weaken the company's ability to cope with unexpected regulatory or political developments. Northern could certainly pay out its share of a £3bn windfall tax on utilities proposed by the Labour Party.

But what happens if the tax turns out to be larger than that or if price controls are tightened even further?

Northern's package of benefits to shareholders will also constrain its ability to diversify abroad or into other activities. While some investors will welcome this, others are worried that it will turn Northern into a lacklustre company with limited growth prospects.

The National Grid's proposal to increase from 1,600MW to 2,2000MW the capacity of the cross-border interconnector has meanwhile incurred the wrath of environmentalists, who fear the effect on the North Yorkshire countryside where power lines will have to be strengthened, and of power companies such as PowerGen and Eastern Group, now part of the Hanson conglomerate.

Both sides claim the moral highground, arguing that they are fighting on behalf of England and Wales consumers. While objectors to the upgrade say power users will have to pay more for electricity if the upgrade is allowed, its supporters say the increase in power supplies from Scotland will increase competition in generation and therefore cuts power costs.

They also point out that improving the North Yorkshire link would ease a Grid bottleneck which sometimes limits the flow of electricity between the north of England, where most power is generated, and the south.

At times, power stations, including the 1,875 MW Teesside Power facility built by Enron and four regional electricity companies to make use of North Sea gas supplies, are forced off the distribution system because the Grid does not have the capacity to transmit their power southwards.

Enron is considering building a second Teesside power station. Like the first, it would use North Sea gas to generate electricity. The plan is for a 750MW facility.

The hey-day of the North Sea is over both for the north east and the country as a whole. Nonetheless the region still derives considerable benefit from its proximity to the oil and gas fields.

The advantages were underlined earlier this year when THC, the offshore fabrication specialist, bought from the receiver the main Wallsend shipyard of Swan Hunter. The Tyne and Wear Development Corporation expects THC to create up to 1,000 jobs on the site, somewhat fewer than the 2,500 employed at the site before Swan went into receivership but still substantial.

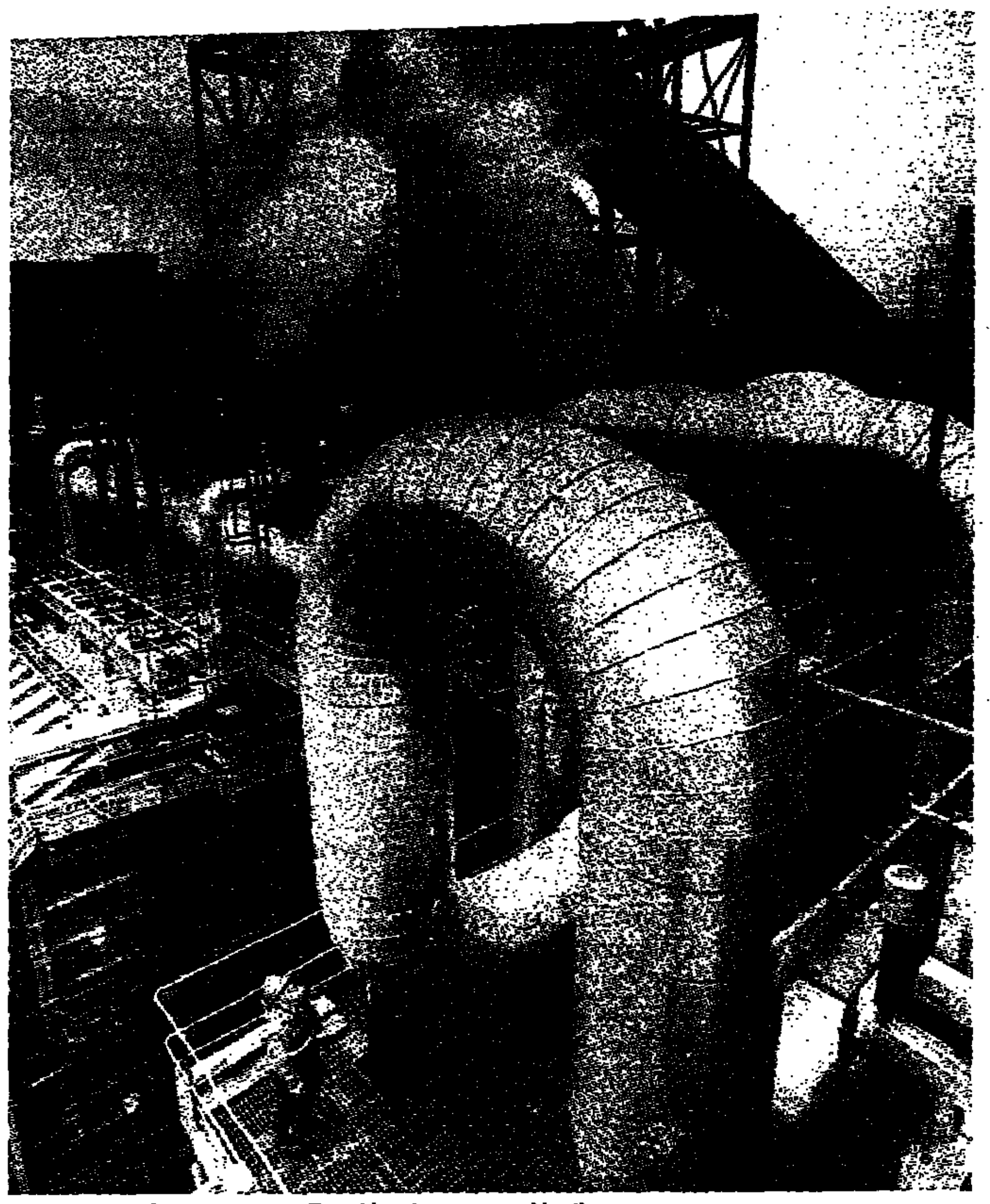
Behind THC's decision is the company's wish to establish a presence in the market for floating oil production platforms, demand for which is set to expand as attention moves to exploiting the more marginal fields.

Meanwhile, the north east's other main natural resource, water, will attract considerable attention in the coming months. Thanks to the presence of the Kielder Reservoir, Europe's biggest man-made lake, the area was spared the water shortages which afflicted other parts of the country, such as Yorkshire, following the long, dry summer.

Similarly, there was no restriction on industrial use of water.

Kielder is owned and managed by Northumbrian Water. The region's biggest water supplier is North East Water, owned by Lyonnaise des Eaux, which is said to be considering a bid for Northumbrian as well. The move would spark considerable controversy.

Ellington colliery, sole survivor of the north east's once mighty coalfield



The Enron electricity generator on Teesside: where gas provides the new power

■ NSK Ball Bearings at Peterlee

Engineering the future

The plant differs significantly from most other Japanese UK investments

NSK Bearings claims that its north east plant is one of the first Japanese manufacturers of mechanical products – as opposed to electrical goods – to open in the UK since the second world war.

Mr Richard Coitino, the deputy managing director at NSK's UK operation, says: "Many inward investors set up 'screwdriver operations'. These were assembly operations and often disappeared in tough times. But from the very start NSK was going to be a fully-integrated plant which would stay the course."

The parent company, Nippon Seiko, is Japan's largest maker of bearings. It looked at some 30 possible locations, before settling on Peterlee. There had been a long association between Japanese companies and the north east dating back to the second half of the 19th century.

NSK was attracted by the prospect of a large greenfield site which could be purchased at a reasonable price. Peterlee at that time was a government-supported New Town, where land for manufacturing was available fairly cheaply. Mr Coitino says: "The Japanese are keen to buy land freehold."

The north east was then, as now, an assisted area and grants were available from the government for inward investors. There was also the tradition of engineering and the assumption that there was a pool of skilled labour.

But none of these factors alone was decisive, according to Mr Coitino. "It was very much a vision on the part of the then chief executive that the company should go global. In those days it was in some ways a step in the dark. There was very little industry of this kind when we started out in 1974. The operation was, in fact, called the 'bold step'. There was a determination to internationalise the company."

When NSK first began operations in 1976, there were 79 employees. Today there are almost 800. The original bearing plant on the south west industrial estate is still there, albeit more than twice as large as in those days.

There are three other factories in Peterlee, a forge plant and two joint ventures – one with with steel ball manufacturer AKS and an automotive components plant under the name of Nastech.

In total, NSK estimates it has invested £120m in developing a manufacturing base at Peterlee, making the town one of the biggest concentrations of ball bearing production in the world. The main NSK company has an annual turnover of £70m. Customers include Nissan, Rover and Panasonic. The plants produce 8m ball bearings a month. Some 84 per cent of the product is exported.

> Companies fear that a skills bottle-neck could develop

Mr Coitino says: "NSK has a global policy of encouraging localisation at its plants around the world. That means greater local autonomy in how we run our operations.

"There is now increasingly a two-way exchange of ideas between Peterlee and Japan. They have been impressed with our technical and product reliability.

"They must be impressed because we even export to Japan now." Mr Coitino says that the 1990s have seen increasing competition from suppliers. Every one now expects suppliers to meet strict quality, price and delivery criteria.

He says that NSK has adopted all the well known Japanese management techniques to stay competitive and to add value. There is a single union agreement, 24 hour working, just-in-time delivery, and computer aided design and manufacturing.

But Mr Coitino feels the real key to staying competitive is in looking after the workforce. Although there is a tradition of engineering in the area and a skilled labour force, companies fear that a skills bottleneck could develop in times of expansion.

NSK undertakes all its own training, and has no demarcation and multiskilling. Moreover, it does not lay anyone off even though the business can be cyclical.

Mr Coitino says: "It is a cliché to say that a company is only as good as its people, but it is true, nevertheless. During the recession of the early 1990s we maintained a no-redundancy policy. We had to bear a lot of pain then, but we stuck to the policy."

"That policy has paid off because demand for our bearings is buoyant and we are having to work above capacity to meet it. Many of our competitors are struggling to meet demand because they reduced their capacity during the recession."

Stewart Dalby

■ Training and education: a question of priority

Old stereotypes die hard

Lisa Wood reviews efforts to raise the level of skills from below the UK national average

One of the greatest challenges facing the north east of England is to equip its workforce with the skills required by a changing labour market.

A number of official surveys show that the region, with a higher than average unemployment rate, has a disturbing level of under-achievement in education and training, with recent evidence of emerging skills shortages in jobs with a high technical or skill content.

According to one academic the stereotype of the region's workforce was still in evidence among blue-collar workers.

"There is a very real social problem with education in the north east, particularly for men. There has been a perception that the most important thing for a son was to get him into a real job at 16, mainly in something like shipbuilding. These jobs largely no longer exist and society has not yet adapted to it. Among a large number of people there is still little enthusiasm for improving their education."

The government's own Regional Trends survey shows the north east to be below the national average for a number of education and training indicators.

For example, the north east in 1994 was below the national average for the per centage of young people obtaining NVQ level 2 or its academic equivalent of 5 GCSEs as well as NVQ level 3 and its academic equivalent of 2 A levels. Participation levels of 16 year olds in school and further education were also lower than the national average.

Tyneside, which includes the large urban area of Newcastle-upon-Tyne, is a microcosm of the problems of the area. On Tyneside, for example:

- 55 per cent of young people in 1994 were in full-time further education, which is about 10 per cent below the national average.
- More people were employed in unskilled and machine operative occupations than the national average, a reflection of Tyneside's industrial heritage.
- Unemployment was higher than the national average with unskilled occupations accounting for the highest proportion of claimants.

However, a drive to improve the skills base of the area and improve the competitiveness of its labour force is being led by a broad church of organisations, including the employer-led Training and Enterprise Councils and the five local universities, which include three former polytechnics. These new universities – Northumbria, Sunderland and Teeside – all have strong track records of involvement in their local economic communities, not only in the provision of vocational education but also in assisting small businesses to develop.

The Tecs, which include County Durham, Tyneside, Teeside and Northumberland, are involved in a number of routine activities, such as administering the delivery of Youth Training and Training for Work, the training scheme for the adult unemployed. All four tecs can point to significant improvements in the

Continued on Page 5

Newcastle university: higher education raises its profile

CASE STUDY Cascade: making cylinders for forklift trucks

The Oregon trail

The Cascade Company, which makes cylinders for fork lift trucks, earth moving equipment and agricultural machinery, is part of the US Cascade group based in Portland, Oregon.

In the late 1960s Cascade's business was almost exclusively based on machinery for forklift trucks made by the Hyster Corporation. When Hyster, which is now part of the Nacco Group, decided to expand in Europe, Cascade followed. Hyster set up in Northern Ireland, in Scotland and in Holland.

Cascade looked for a location which was at the heart of Hyster's three European operations. Cramlington in the north east was chosen because it was central to the triangle of Hyster's operations and because the working population was rich in engineering skills.

There was also some grant aid available, although this was not a precondition, according to Mr Charles Mitchelson, managing director of Cascade. A subordinate consideration, Mr Mitchelson said, was that industrial relations were better in the north east than, say, Liverpool in the north west.

However, in 1993 the company ran into a sticky union problem which hit output. The 75,000 sq ft factory at Cramlington was unionised with 80 per cent of the then 118 workers belonging to the AEEU engineering union. The district union officials called an overtime ban.

Individual contracts were introduced, the factory was deunionised and three-shift working, meaning 24 hour working, was agreed.

The union confrontation had come during the recession when sales had been badly hit. Turnover had fallen from £11m in 1991 to £9m in 1992 and £8m in 1993.

Profits at 3 per cent of turnover were down to £278,000 and the parent company, which today has worldwide sales of £240m, seemed reluctant to invest further in Britain.

Following the successful outcome of the union problem, the company moved to diversify its sales. Instead of an 80 per cent dependence on Nacco there has been a shift into agricultural machinery and off-highway earthmoving equipment. Forklift trucks in 1994 accounted for 54 per cent of turnover while off-highway machinery was 25 per cent.

Cascade added Nissan and Komatsu to its customer list. The company managed to untie various bottlenecks in the production process and, using Japanese techniques, increased turnover and productivity.

The company has eliminated demarcations on the factory floor, and there is multi-skilling among the workers and just-in-time delivery of components.

Mr Mitchelson says: "The average inventory turnover for an engineering concern is about three or four, that is we hold inventory for three or four months a year. I have got the turnover up to seven and I expect to get it up to 12. This means we could turn over our inventory once a month." Mr Mitchelson adds: "We currently have £2.5m wrapped up in stocks at any given time. If we can increase the inventory turnover then we could save £1m a year."

The company has introduced data-flow technology involving CadCam, (computer aided design and computer aided manufacturing). This means that nothing is produced until orders are firmly in place and all paper work is eliminated. Work-in-progress rates are reduced, requiring less floor space and shorter manufacturing lead times.

With these techniques turnover has increased from £8.7m in 1983 to a projected £15m in 1995 and an envisaged £20m in 1996. The return on income – that is pretax profits – was 7.2 per cent in 1994 and a projected 8 per cent, or £1.3m, in 1996.

Mr Mitchelson says: "The important thing about being in the north east is that there is a tradition of engineering and the skills are available."

However, he adds: "We have not had a problem so far because several small concerns have closed and we have been able to pick up the skilled labour we need. But I can foresee a problem of skills shortages if the economy in the north east keeps growing."

Stewart Dalby

■ **Retailing: why Newcastle and vicinity are different**

March of the monster malls

Stewart Dalby on the power and problems of some of Europe's biggest shopping centres

The north east, particularly the Newcastle conurbation, is unusual in British retailing.

At a time when the government is looking at curbing new out-of-town shopping malls because of their effect on high street businesses, Newcastle has a highly successful shopping mall in the Metro Centre in Gateshead across the River Tyne and a flourishing city centre shopping complex in Eldon Square and the adjacent Northumberland Street.

A survey undertaken in January by the Property Managers Association placed Metro Centre, Eldon Square and Northumberland Street separately in the top dozen shopping centres in the country in terms of overall trading performance.

Metro Centre, which claims to be the largest shopping centre in Europe, was the brainchild of Sir John Hall, the property developer currently reviving the fortunes of Newcastle United soccer team.

More than a decade ago he paid £120,000 for a 120-acre site in Gateshead which had been used as an ash dump for a power station. It had the advantage of being in an enterprise zone because the area was deemed one of depression. This meant easy planning permission and rate free status for a while. Many thought the centre would be a white elephant.

But Mr Hall, as he then was, hauled in the Church Commissioners as partners, and, at a cost of £100m, pushed ahead with the complex which today has 340 retail outlets on 2.2m sq ft, as well as an 11 screen cinema complex, a 28 lane superbowl, 50 restaurants and pubs, a theme park and banks.

Its retailers include Marks and Spencer with 186,000sq ft, House of Fraser, Littlewoods and Asda.

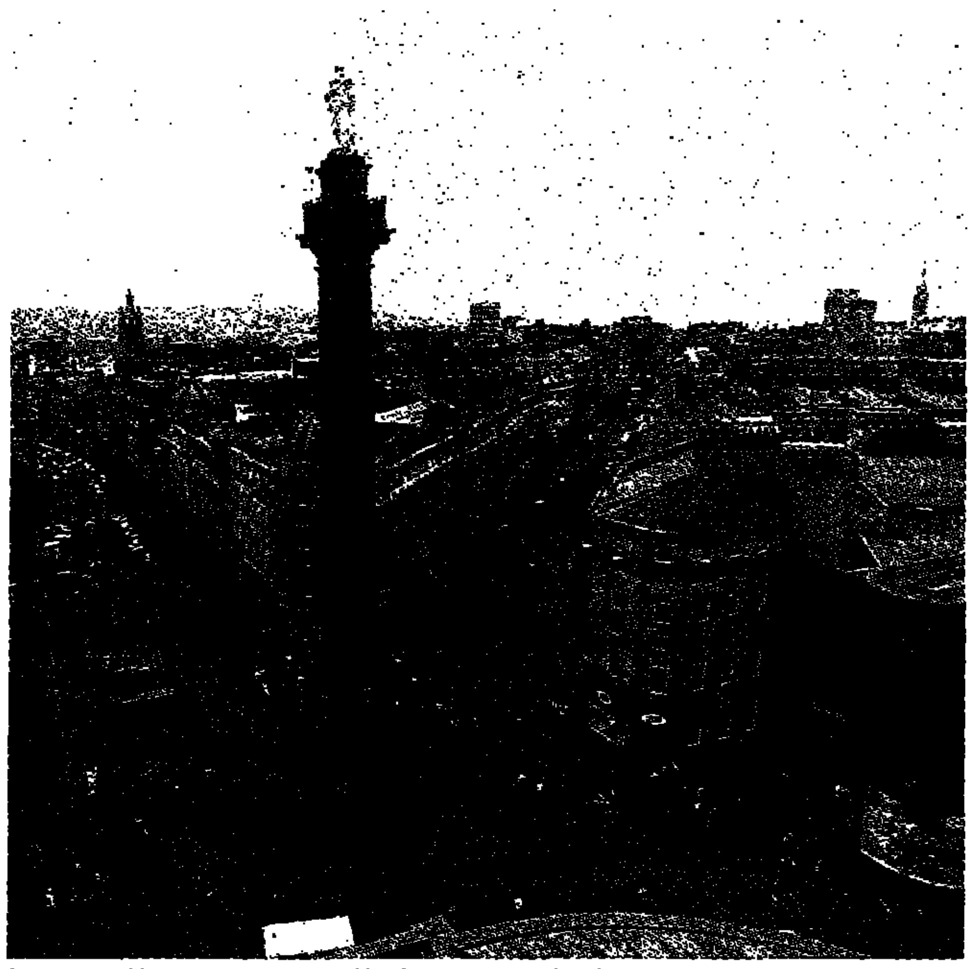
Nine years after opening, it has a turnover of £600m and some 27m visitors a year. It is 98 per cent occupied and employs 5,000 people, roughly the same as the Nissan car plant in Sunderland.

Sir John sold his stake some time ago and, recently, the Church Commissioners sold 90 per cent of its holding to Capital Shopping Centres for £325m, which is almost 20 times the rental income of nearly £20m. Capital Shopping Centres also partly owns Eldon Square, which has continued to flourish despite Metro-Centre.

Eldon Square has 930,000 sq ft of retail space, which, according to the centre manager Mr George MacDonald, makes it the largest covered city centre shopping complex in Britain. It had 22m visitors last year, or a "footfall" of 500,000 a week and turnover of £300m.

These figure exclude Marks & Spencer and Fenwicks department stores which abuts Eldon Square. Nor do they include Northumberland Street which leads off the square. Both Fenwicks and Marks and Spencer are currently spending millions in expanding and refurbishing their premises. This attests, according to Mr MacDonald, to the continued buoyancy of Eldon Square which has a 90 per cent occupancy.

Retailing is a leading source of employment in Newcastle.



Synthesis of old and new: Newcastle's Eldon Square, with the shopping centre entrance set back on the right

The three shopping areas employ more than 10,000 people, albeit many on low pay.

While the success of Metro Centre does not appear to have unduly affected the performance of either Eldon Square or Northumberland Street, the same cannot be said of similar schemes elsewhere.

In Dudley, near Birmingham, for example, the high street shows signs of significant deterioration as the Merry Hill complex increases its market share. In Stockton on Tees, the 500,000 sq ft Teeside Retail Park built on the site of the old racecourse has hit business in Stockton's high street. The Department of the Environment recently refused planning permission for a 160,000 sq ft extension to Teeside Retail park, because of the damage it might do to Stockton's high street sector.

Why has greater Newcastle succeeded where other towns have failed? According to Mr Peter Gates, manager of Marks & Spencer and director of the tenants association in Metro Centre, one has only to look at the map to explain Metro Centre's success: it has a very large catchment area.

The nearest population clusters of this size are as far away as Edinburgh in the north and Leeds, Manchester and Humberside to the south.

Metro Centre estimates that there are 1.5m people within half an hour's drive and 3m an hour away.

Mr Gates says: "I think people come here from all around – there were 135,000 Norwegians who flew in last year – because of the mix of leisure and shopping. Families can put their children in the cinema and get on with their shopping."

To cater for the 75 per cent of shoppers who arrive by car there are no fewer than 12,000 free parking spaces.

Security arrangements have to be of a commensurate scale. They include a host of closed circuit television cameras, a police station within the centre and police "hides" to cut out car crime. "There is very little vandalism or crime at the centre," Mr Gates says.

The Gateshead Metro Centre: fortunes built on a former ash tip

Mr Paul Keenan, the public relations manager at the centre, feels the high level of disposable income is a factor in the shopping phenomenon on Tyneside.

Although incomes are lower than the national average and there is high unemployment, there is also less debt, lower mortgages, virtually no negative equity and, because of a good transport system, lower car ownership.

Mr Keenan says: "The soddit factor has always worked here. People do not have much money , but what they have, they are prepared to spend."

Mr MacDonald at Eldon Square agrees. "This is a cash rich society. Eldon Square is slightly different from Metro Centre.

"Some 70,000 commute into Newcastle each day to shop. The good public transport means they do not drive and shop during the day breaks from work."

Has Newcastle destroyed shopping in satellite towns? Mr MacDonald says: "Places like Sunderland might have developed further without Metro Centre.

"But Sunderland is seeing investment (in its Bridges centre). So is Middlesborough. Darlington has its Cornmill. They may have all lost a bit, but are still vibrant."

Drive to raise skills

Continued from Page IV

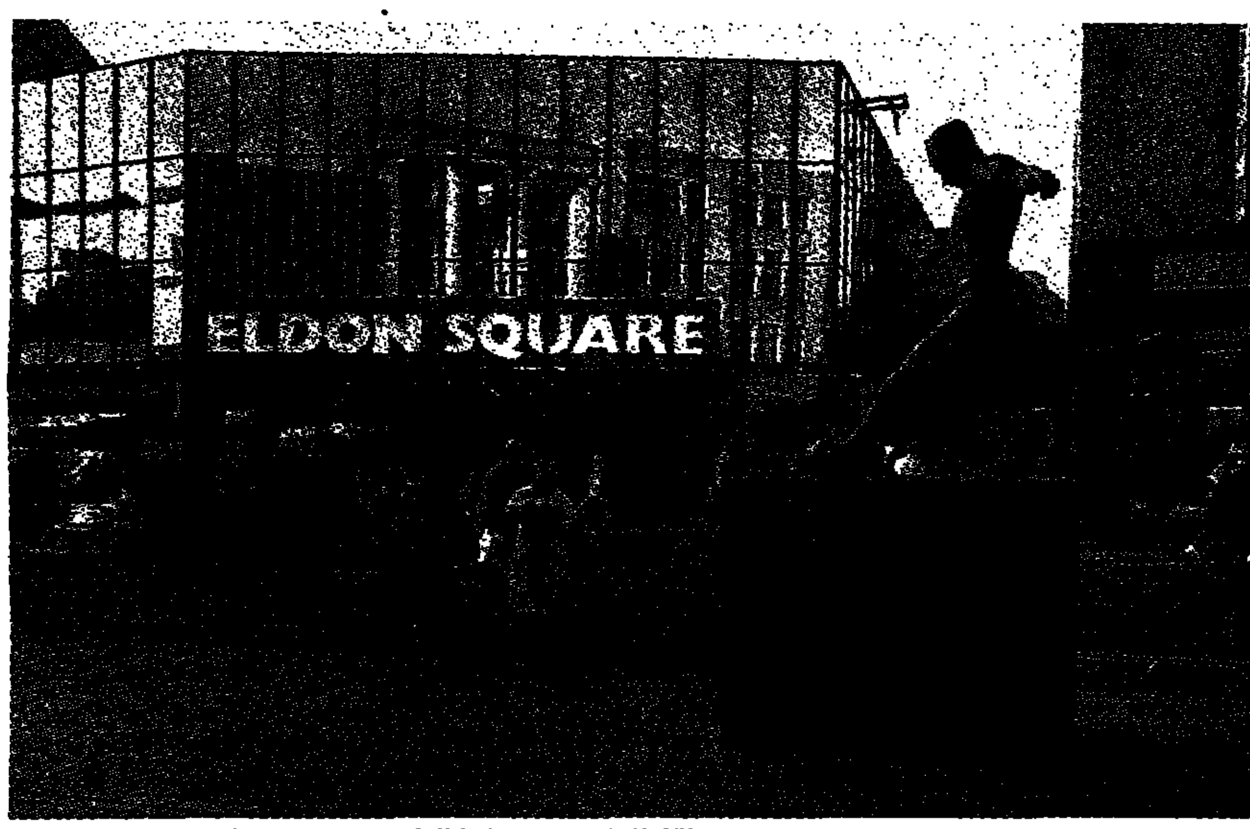
attainment of qualifications for their clients since they took over the schemes from the government five years ago. Compared with a number of other tecs in England and Wales they started from a low base line of attainment.

In addition, a number of the tecs have developed more adventurous initiatives, tailored to the skills needs of inward investors.

Tyneside Tec, working in partnership with the government's Employment Service and South Tyneside College, recently provided customised training for new employees being recruited by Onwa, a subsidiary of a Hong Kong television manufacturing company, which has opened a plant in the region.

Some 190 unemployed people were taken on by Onwa. Tec representatives visited other plants owned by Onwa to understand the range of skills and the culture within the company so as to put together the best training package for the unemployed recruits.

County Durham Tec is doing a similar initiative for its long term unemployed, contracting directly with blue chip companies to help recruit from the unemployment register. The Tec works with the employer on a training package and paysfor the individual's training.



Role model for success: the statue of Newcastle United soccer star Jackie Milburn in the city's centre

Small companies which have no in-house training programmes are put in touch with training provided by the Tec. At present the Tec is working with Fujitsu, the electronic chips manufacturer, which has committed itself to providing a number of operator jobs for the long term unemployed in its next expansion. Fujitsu said: "The unemployed in the area will not be forgotten and we are working with County Durham Tec to ensure that opportunities are created."

But the region does not only have a need to improve the skills of its blue-collar workers. Like the rest of the UK there is a need to improve the calibre of managers and administrators.

Northumberland Tec, in partnership with Northumbria University, has established a complex called Longhurst, with facilities for both management training and academic courses, including MBAs. While a large per centage of the full-time students are not from the area the majority of part-timers are drawn from its Northumberland hinterland.

But, all five universities in the region are actively seeking to work more closely with public and private sector organisations and businesses to introduce new training and technology.

Professor Andrew Hamnett, pro-vice chancellor of Newcastle University, said that academic institutions could assist in a number of ways in the economic regeneration of the area, including supplying training to companies on a partnership basis, particularly in the management of innovation and change. "We are seeking to unlock the technologies locked into these universities for the benefit of the local economy," he said.

The university has introduced a number of linked initiatives. First, an internal regional development committee that will co-ordinate the relationship of all the departments of the university with the region. "By working with the region's politicians, the public sector and business leaders we hope to give a better focus to the many efforts we already make to help meet the needs of the region, said the pro-vice chancellor.

"We have not been focused enough in ensuring that our world-leading research and knowledge is transferred to the people and organisations in the north who could benefit."

A second initiative is the establishment of a school of management. This will be a link between the university and the region's businesses and public and private sector organisations drawing together the research and teaching skills so that they can be focused on the needs of individual organisations or specific sectors.

Professor John Goddard, who has led the school's development team, said: "The need for management education worldwide is changing. Our research tells us that organisations will require better managers with greater ability to integrate all the management skills, rather than just traditional functions. "Our mission is to make management more effective in a competitive world – to make managers more effective within their own organisations."

INT
Stan
and

هكذا من الأصل

INTERNATIONAL STANDARDS

Standardise and deliver

Standards are more important than they have ever been, writes Claire Gooding

The whole point of standards is that you should not have to think about them. Such considerations as credit cards being of the uniform shape, size and numbering convention to allow them to be used anywhere in the world should be taken care of by somebody else. And, fortunately, somebody else has done so.

Hundreds of people from dozens of countries spend time away from their desks, sitting around in airport lounges and then in conference rooms, hammering out the minutiae which make it safe for consumers to use products and services without thinking too hard.

The International Organisation for Standardisation, Iso, has overseen the co-ordination of standards for everything from the symbols on your vehicle dashboard to the fatigue-testing of bicycle frames. The bike could be a suitable symbol for the celebration of World Standards Day 1995, which this year concentrates attention on the issue of transport, while Iso is putting finishing touches to its ISO 14000 environmental management standards.

Standards are more important than they have ever been, in a world economy that increasingly promotes the idea of consumer choice. Choice is included in the concept of consumer power, but so is the principle that the choice should be a safe one.

The existence of standards makes it possible to display goods from the local village next to imported goods flown from the other side of the world: global competition without compromise on quality. Future standards should make it possible to transport those goods - in "environmentally friendly" vehicles powered by gas, electricity, or solar power.

These are large enough topics of concern in themselves, but Information Technology also raises its head as part of the mix, especially in the area of logistics, and the exchange of information about goods and services.

"The movement of goods and people and the movement of data are inextricably linked," says an Iso statement on the Global Information Infrastructure (GII) and telecommunications standards.

An Iso-IEC-ITU seminar on Standards Aspects of GII is to be held in Geneva, on January 24-26 next year, as part of an open forum for all parties interested in the topic, and to help chart the path for future global activities in this field.

Media hype on the subject of the Internet has highlighted concerns about the lack of agreed standards in this area. Trade may find its own level in the long run, but security issues are still to be resolved. Many people and organisations now provide information throughout the Internet, including Iso itself, as part of its open consultative process.

The process of setting standards is extremely complex, the more so as areas of concern overlap, interweave, and become dependent on one another. The co-ordination of IT standards (by an international Iso-IEC joint technical committee known as JTC 1) is a prime example of this. As elsewhere, agreement is driven by a commercial interest in the standards, and on the integration of existing, accepted practice into a formalised document.

The speed of technological development makes IT a difficult area to chart. The convergence of computers with telecommunications and audio-visual material means that IT standards bodies now have to dovetail their activities – already complex enough – with other authorities.

Setting standards for the exchange of information in interactive TV, for example, involves different international organisations, such as the ITU, Cenelec, Cen, and various business consortia such as Davic – the Digital Audio-Visual Council.

The interdependency of standards (IT and others) does not stop there. Parts of the web stretch back to individual national bodies, such as the British Standards Institution which may in turn have trade interests to protect, represented through various trade bodies. Standards evolved at national level can feed into Iso, such as the BSI's BS 5750 quality standard which spawned ISO 9000 for international consumption.

Others depend on existing commercial alliances, consortia and trade associations.

There is a practical role for organisations such as EAN International, the international numbering association whose work underpins the bar codes used in logistics and retailing, and which are used for identification in all sorts of business applications. Britain has its own authority for this: the Article Numbering Association which controls the "number bank" in the UK.

"A number assigned in the UK to a specific article can be read in 78 countries, although that number is growing year by year," explains ANA spokesman Graham Avery. "We're currently helping the CIS states and other eastern European bodies to set up their own numbering organisation, and India has just joined EAN International. They are all trying to join the real world."

Hundreds of bodies at national and international level feed into the mix and it takes time to resolve the inevitable differences within an open, consultative process. So why bother? Such standards as BS 5750 are not without their own share of criticism. Nevertheless, ISO 9000 (BS 5750's Iso equivalent) and its environmental companion ISO 14000 are seen as an essential "tick-in-the-box" aid to winning business, particularly from large corporations and government bodies.

Many companies make a great virtue of their adherence to standards. Federal Express, the world's largest express transport company, for example, was the first in its field to be awarded the ISO 9001 registration for its worldwide operations. It did so via the IT systems, first validating the management information and communications systems and then using those same systems to assess the operation. This way, the certification company, Lloyd's Register Quality Assurance, was able to issue a system-wide approval without visting each site.

The people who work so hard to set standards, usually for the best of motives, are easy targets for criticism by people outside the process. Most, however, make their criticisms anonymously, with the most common charge being that standards can be bent to competitive advantage, or worse, that consumers are likely to suffer in the compromises that have to be made because of vested – often national – interests.

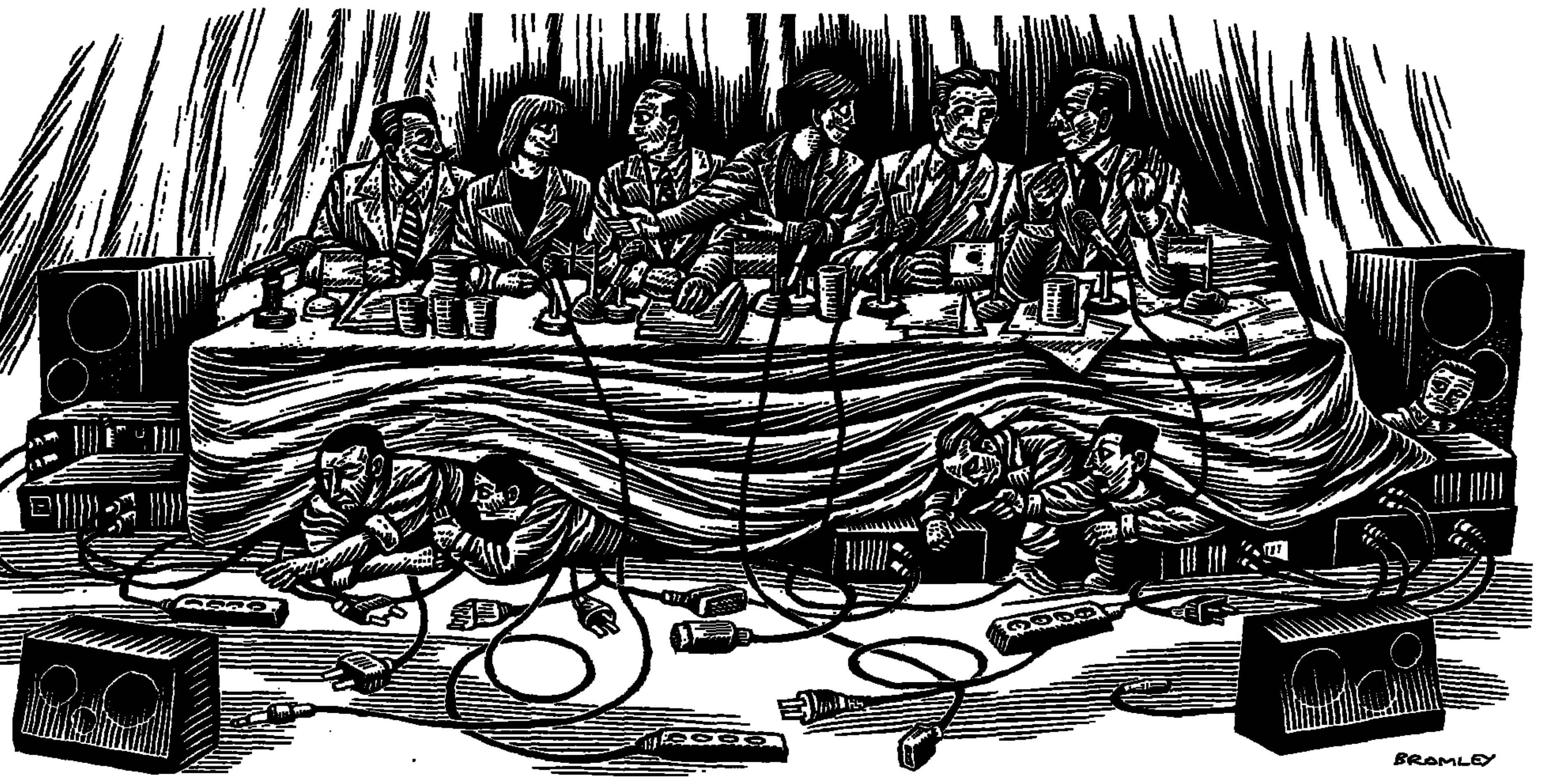
There is particular unease surrounding the changes in voltage harmonisation and testing. One UK-based electrical organisation confirmed (anonymously) its concern that once 230-voltage testing replaces 240-volt tests, the standard will fall short of what is really needed in the UK.

"Even allowing for variations, the standard test doesn't necessarily cover what's coming out of the socket," said one source who wished his organisation to remain anonymous. "There's a built-in tendency to end up with the lowest common denominator and the filtering out of some things which some more conscientious bodies would like to see adopted. It's possible for vested interests to sway decisions that ought to be made for the common good." Mr John Cutting, formerly technical affairs director at the Institution of Electrical Engineers and one-time assistant director of the Electrical Contractors Association, says:

"More than a few of us in the electrical installation industry are becoming more and more concerned that the UK is hanging on to a 50-year-old system that is now outdated and out of step with Europe and the rest of the world."

Some responsible manufacturers feel that the standards in their areas do not go far enough. However, standards are voluntary and the manufacturers can choose to exceed the standards for their own protection. There is an Iso appeals procedure should anyone feel their needs have been ignored. "Iso has an extremely open and democratic process in which every stage is open to scrutiny," says Iso.

Some criticisms are levelled at the speed at which standards-making takes place, and the inevitable fact that most participants are likely to be employees of large corporates and multinationals – a factor that might score against smaller, innovative companies. Yet Iso's processes are open and consultative: speed is limited by that necessity, superhighway or no superhighway.



■ **Transport:** Britain is once again out of step, reports **Charles Batchelor**

Difficulties with diversity

The problem of incompatible technologies is by no means a quaintly 19th century phenomenon

At the height of the railways era of rapid growth which swept Britain in the 1830s no fewer than five different track gauges were in use, ranging from a modest 4ft 6in in Scotland to the massive 7ft employed by Isambard Kingdom Brunel on the Great Western Railway.

As long as the railways served different parts of the country, this diversity did not matter. But once they began to link up, passengers and the railway builders started to become aware of the shortcomings of this approach and a standard gauge of 4ft 8½in was finally agreed.

But the problem of incompatible technologies is by no means a quaintly 19th century phenomenon. Australia only managed to join its state capitals with a common gauge of railway network as recently as last June. The Eurostar trains which run through the Channel tunnel between London, Paris and Brussels have had to be built to run on four different types of power supply and three signalling systems.

When systems do not match, manufacturing and operating costs inevitably rise, customers obtain a poorer service, and the transport mode involved loses market share to competitors.

Road transport faces fewer inherited problems than the railways but British motorists still drive on the left while the rest of continental Europe keeps to the right. And as sophisticated road traffic management systems are developed, a crucial part of technology programmes is devoted to ensuring that they remain compatible.

The European Commission estimates that spending on creating a telematics infrastructure – the combination of information technology and telecommunications involved in managing traffic – in the European Union could be as high as Ecu9.5bn (£7.8bn) over the next 10 years. This would cover basic items such as cables, trenching and emergency telephones as well as equipment to collect and disseminate traffic data and weather information and to detect incidents.

To obtain the maximum benefit from this spending, Europe must make progress on creating standards to promote the "inter-operability" of the different networks, particularly in the areas of broadcasting and mobile telephony.

Alongside technical standardisation, regulatory and legal procedures must be harmonised so that private sector promoters of telematics services are not tied up in a welter of separate licences and permissions from different jurisdictions.

Proposals to ensure that the automatic debiting systems coming into use on toll roads in France and in some Scandinavian cities are compatible with each other and the rest of Europe have been put to the European Committee for Standardisation (Cen), the organisation which draws up European standards.

The EU is also keen to establish compatible radio data systems for transmitting traffic messages to in-car receivers.

The emphasis in devising what are known as transport information and control systems (Tics) should be on specifying factors affecting the driver's performance rather than the physical characteristics of the equipment, according to Iso, the International Organisation for Standardisation. This approach means that standards can be drawn up which are not dependent on any particular system so that as technology develops the standards remain relevant. Standards must define how information is to be presented to the driver, in visual or auditory form, so that he or she is not distracted.

But the pace of developments has put severe pressure on the standardisation organisations. "For the past two years members of the Tics technical committee have been scrambling through a technological maze to draft international standards for the intelligent transportation systems industry," Mr Martin Rowell, chairman, said.

It has been working in areas such as in-car route guidance systems which provide detailed driving directions with the help of global positioning satellite data; variable message signs which provide up-to-date traffic information; and adaptive traffic signals which sense traffic flows and adjust their red-green timing to reduce congestion. Mr Rowell believes the committee has got off to a solid start, identifying several dozen areas where work needs to be carried out but it will take two to three years for many of them to move to the stage where a standard is agreed.

Technology may not be developing quite as quickly on the railways but there is an even greater problem of making long-established systems compatible.

At one level, progress has already been made. The Swiss locomotive pulling Italian rail carriages through Germany would not be possible if track and loading gauges were not the same. Britain is once again out of step with a loading gauge – the diameter of tunnels and positioning of platforms – which is too small to accommodate continental European rolling stock.

But impetus to the harmonisation has been added by the development of high-speed train systems and by the European Union's procurement directives aimed at opening up the European market to cross-border purchasing.

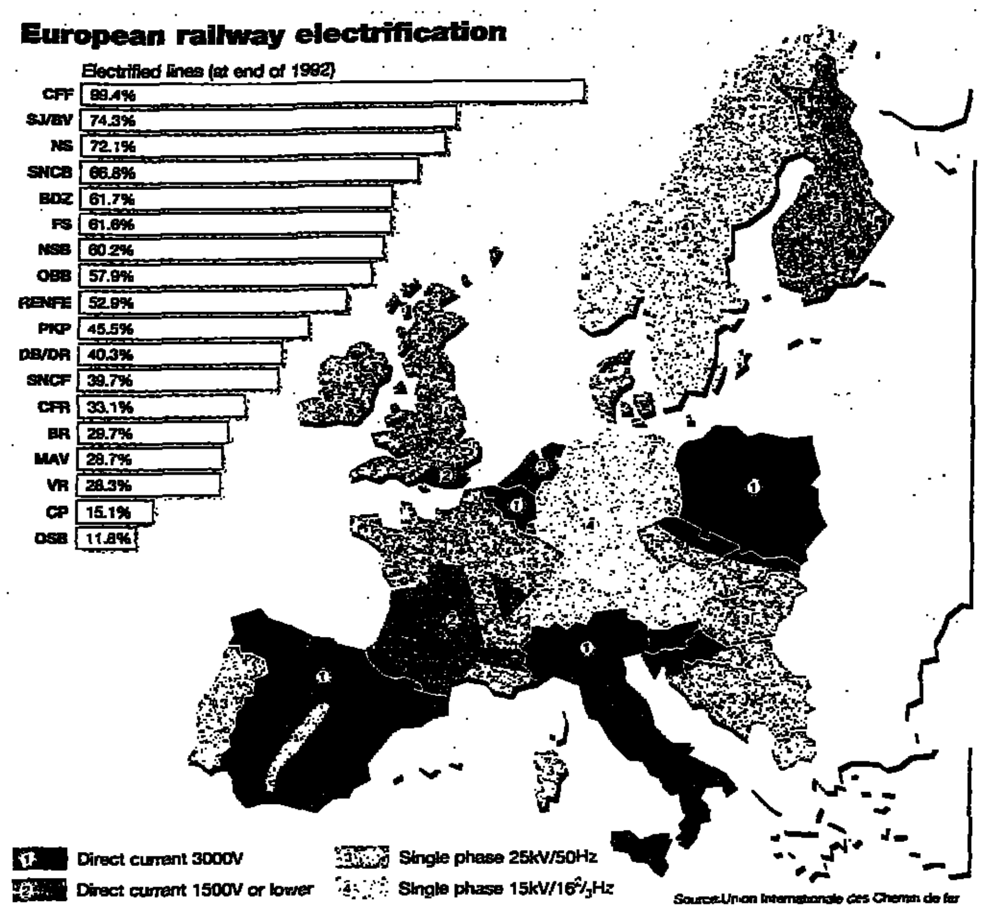
High-speed rail systems require power and signalling systems to be harmonised. The procurement directives, which have come into effect in the past few years, give an added incentive to manufacturers to agree common standards.

"There is a major effort going on to tackle the problem of inter-operability," says Mr Chris Bull, a senior technical officer at the Paris-based International Union of Railways (UIC), grouping most of the world's railway administrations. The UIC has for many years overseen the drawing up of international standards and while it still contributes its members' technical expertise it has handed formal authorship over to Cen (European Committee for Standardisation).

The UIC and European manufacturers have set up a new organisation, the European Association for Railway Inter-Operability, to devise common standards so that the EU's master plan for a high-speed rail network can be put into effect. Incompatible power systems throughout Europe, conflicting designs of the pantographs which pick up power from overhead wires and the differing signalling systems must all be resolved.

Until the opening of the Channel tunnel, high-speed trains had remained within their national boundaries. The technical difficulties encountered by the complex and expensive Eurostar locomotives – each costing £24m because of the mass of differing technologies they must accommodate – have shown the cost of trying to reconcile conflicting systems.

European railway electrification



Source: Union Internationale des Chemins de fer

■ **The vehicle industry:** is adept at taking advantage, writes **Claire Gooding**

Pioneering uses of IT

The global nature of the automotive industry has given Iso a special role in co-ordinating new developments

The automotive industry has proved itself adept at taking advantage of new technology: the electric car is already here, the solar-powered car on its way. The industry has been swift in adopting common practices and co-operative working parties, even pooling resources in joint developments.

To some degree it has pioneered the practical application of Information Technology, for example, just-in-time and make-to-order manufacturing, electronic data interchange, even the practice of "outsourcing" IT, and now multimedia for the designing, building, selling and maintenance of vehicles before and after they leave the production line.

So efficiently has the industry stuck to internationally accepted standards that the idea of a "native" car industry is almost dead, except in customers' minds. You may have bought your car from a forecourt in Essex, but it is just as likely to have been built in Spain as in Dagenham, and the pre-assembly components could have originated anywhere in the world.

Nevertheless, the global nature of the automotive industry has given the International Organisation for Standardisation, Iso, a special role in co-ordinating new developments such as electrically-powered vehicles, and even more adventurously, solar-powered vehicles – just possibly the eco-friendly transport of the future.

If and when it becomes technologically possible to supply a mass market with cars that run on re-chargeable batteries, Iso's worldwide brief is to make sure that manufacturers have access to standards that will enable any such car to perform as well in icy climates as it does in high temperatures.

This is just one concern of just one committee, in a whole network of committees so large that it has kept Francois Abram, senior technical officer in charge of transport for Iso, busy for 25 years.

"Our technical committee, Iso TC 22, has been in charge of all sorts of transport standards for a long time, but activity livened up in the 1970s. We've looked at techniques for electrical vehicles, but one issue has been the slow progress of the technology itself: standards tend to be pushed by actual technical advances."

The committee's work has always encompassed electrical matters, including lights projection and almost every aspect of electronics. Safety has always been the overriding concern.

Buyers now take for granted the advances made in car design in, for example, eliminating features that caused terrible injuries to pedestrians – emblems that stand proud of the bonnet, rigid wing-mirrors, and the like.

Of late, environmental factors have joined the list: noise, air pollution, and the idea that manufacturers should support sustainable development – that is the rational use of energy, re-cycling, and disposal in the life-cycle of the car.

Air bags get a working group of their own – Iso/TC 22/ SC 12/ WG8 to be precise – which within three years has set in motion standards for testing and assembly.

Air bags, first fitted in top-of-the-range Mercedes-Benz cars in 1980, are now a popular option on a wide range of vehicles. As in other areas of standardisation, production experience from an increasing number of manufacturers feeds into the guidelines.

Standards, as Mr Abram suggests, are driven by real-world commerce. "If one electrically-powered vehicle were to become very popular, something of a standard product distributed to all sorts of places," he says, "then we would have to establish some standard especially concerning safety. It's a prime consideration: the vehicle has to be safe in every aspect for driver and other road users." New technologies such as batteries, he points out, might need to operate in all temperatures – between ambient temperatures of -20C to 40C. All aspects have to be taken into account, including charging a battery, changing batteries, and measurements of performance and consumption.

Iso's publication *Electric Road Vehicles - specifications* is designed to stabilise and channel progress so that, in the words of Iso's own bulletin: "the world avoids a proliferation of incompatible machines and equipment. The anarchy that lurks at the start of any big new technical innovation, and that plagues the world for years afterwards, will be avoided this time by standardisation."

As concern for the environment grows, the US and other countries are discussing mass-production of battery-powered cars. For local authorities in particular, failed attempts to limit the usage of the internal combustion engine within city limits have fuelled the incentive. Car sales were reputedly doubled at a stroke by the ill-fated edict that odd and even-numbered cars should have access to the Greek capital of Athens on alternate days only, as Athenians simply bought a second vehicle with the desired number-plate.

It is not an issue that can be seen in isolation. "Another aspect is compatibility," explains Mr Abram. "There is an increasing amount of electronics in ordinary cars, in roadholding, braking, suspension, and other components.

"It is important to avoid any ill effects in that the electrical equipment should make no difference to the functions of the car. But another consideration is interference with other electrical equipment, such as a heart pacemaker on which a driver or passenger might depend. Such problems do exist with electrical vehicles, so some standards have been produced and some limits set up."

The question broadens further when developments such as localised broadcast traffic assistance, Geographical Positioning Systems, and satellite tracking come into the picture.

Just as an example, the plan to charge for motorway and autoroute usage might depend on all sorts of elements, including being able to read a number-plate or licence badge, or communication with an on-board computer. If it does, explains Mr Abram, "such equipment can't be positioned where it will get bumps and get broken in a small shunt. We have to check all these aspects to make sure that things are fitted in the right place."

The road transport informatics committee, Iso TC 204, has several sub-committees working on advanced traveller information systems (ATIS), advanced traffic management systems, (ATMS) advanced vehicle control systems (AVCS), and commercial vehicle operation.

"In the future, more and more information will accompany the vehicle, on the dashboard," concludes Mr Abram. "It will be important to have appropriate, easy-to-understand information, without interfering in the operation of the vehicle."

Car drivers can expect to benefit from all this in their own pockets, over and above the usual bounty of universal standards. Computer-equipped cars can monitor consumption and ensure fuel-efficiency.

■ **Who's who:** three Geneva-based bodies issue about 1,000 standards a year, says **Frances Williams**

Standards for the world

The actual business of standard-setting in Iso is delegated to more than 2,830 technical committees

Some 28 international bodies are involved in standards-setting on a global level, with the participation of hundreds of organisations from around the world.

However, three Geneva-based institutions, the International Organisation for Standardisation (Iso), the International Electrotechnical Commission (IEC) and the International Telecommunications Union (ITU), between them account for 85 per cent of all international standards, issuing nearly 1,000 new or revised standards annually.

Iso and the IEC are non-governmental organisations whose prime function is international standards-setting. Iso draws its 115 members from the main national standards bodies (one per country). The IEC, which sets standards for electrical and electronic products, has a membership of 53 national committees representing private and public sector interests.

The actual business of standard-setting in Iso (the IEC operates a similar system) is delegated to more than 2,830 technical committees, with participation by industry, research institutes, government, consumer bodies and international organisations. To date, Iso has published more than 9,800 standards.

Although the Iso/IEC standards resulting from this process are purely voluntary, they are widely used all over the world – increasingly so as the growth of international trade makes standardisation imperative.

And while the bulk of standards relate to technical specifications – from screw dimensions to car bumper heights – so-called generic or horizontal standards relating to processes are also gaining in popularity.

The innovative ISO 9000 series for quality management and quality assurance, first published in 1987, has become a surprise "best seller", adopted as national standards by at least 78 countries. Iso hopes to emulate this success with its future ISO 14000 series of standards for environmental management, based on the recommendations of a strategic advisory group on the environment (Sage) set up in 1991.

Currently, Iso has four general policy committees in addition to its technical committees and working groups: Devco on developing countries, Casco on conformity assessment, Copolco on consumer affairs and Infco on information.

Iso and the IEC also have formal links with the World Trade Organisation's committee on technical barriers to trade. WTO rules urge its 100-plus member governments to maximise their use of international standards to prevent unnecessary obstacles to the free flow of goods. The WTO also specifically encourages members to take part in international standard-setting.

Another WTO accord, on sanitary and phytosanitary measures to protect food, plant and animal health and safety, also asks members to use international standards. These include those for food safety developed by the Codex Alimentarius Commission, which is run jointly by the UN Food and Agriculture Organisation and the World Health Organisation, those on animal health adopted by the International Office of Epizootics, and those on plant health set by the International Plant Protection Convention.

These are among 26 international organisations outside the Iso-IEC system which set standards in their specialised areas. Of these, the 184-nation International Telecommunications Union, a United Nations specialised agency which sets standards in telecoms, is by far the most important. Others include the International Union of Railways, the International Atomic Energy Agency and the International Maritime Organisation.

Among the regional standards bodies, the European Union institutions – Cen (European Committee for Standardisation), Cenelec (European Committee for Electrotechnical Standardisation) and ETSI (European Telecommunications Standards Institute) – wield the most power because they set standards for all 15 EU member states.

However, in the late 1980s the EU decided that, in order to maximise the benefits of the single European market, its harmonised European standards should be based wherever possible on international standards.

About 60 per cent of Cen and Cenelec standards are now identical to their international equivalents. Other regional standards bodies are essentially vehicles for co-ordination and co-operation between national standards institutions – but they could yet emerge as harmonising bodies for regional groupings and free trade areas as those in Europe have done.

The main regional organisations are:

- ACCSQ (Association of South East Asian Nations Consultative Committee for Standards and Quality) which covers six of the seven members of Asean;
- Aidmo (Arab Industrial Development and Mining Organisation) which has 21 members;
- Copant (Pan-American Standards Commission) with 18 members;
- Pasc (Pacific Area Standards Congress) which has links with Apec, the 18-nation Asia Pacific Economic Co-operation forum
- Arso (African Regional Organisation for Standardisation) with 13 members; and
- the newly-formed ISC (Interstate Council for Standardisation, Metrology and Certification) which links the standards bodies of 12 of the 15 former Soviet republics – excluding the Baltic states.

Among national standards bodies, the most active within Iso – with the largest number of secretariats and convenorships for technical committees and working groups – are Ansi (American National Standards Institute), Din (Deutsches Institut für Normung) of Germany, BSI (British Standards Institution) and Afnor (Association Française de Normalisation) of France.

■ **Environmental issues:** draft standards from Iso set the tone, reports **Leyla Boulton**

Vote on 'green passport'

The draft standards are now circulating among the 111 countries which are supposed to vote on them over the next few months

At the beginning of 1996, the world business community will know whether it has created a passport for companies wishing to do business with other environmentally-sound companies.

Draft standards produced by the International Organisation for Standardisation, the leading developer of voluntary standards for the private sector, set the tone for environmental management systems and environmental auditing. They are now circulating among the 111 countries which are supposed to vote on them over the next few months.

If more than a quarter vote against them, the standards will be rejected. Mr Joe Cascio, the IBM executive who headed the US delegation at the negotiations which hammered out the draft in Oslo, says that countries which have not taken part in negotiations – in this case some 60 nations – usually do not vote. This suggests that the standards will get through.

On the other hand, he adds, there is "a lot of suspicion out there" among developing countries that "green" tools such as these standards are "being concocted to their detriment" to shut them out of the developed world's markets.

> Individual countries have their own set of standards

Mr Cascio argues passionately that the advent of international environmental standards for business can only help promote trade by mitigating the varying effects of national environmental standards.

At present, individual countries have their own set of standards for environmental management systems – the first produced in Britain under the heading BS7750 – but these are not as easily exportable as a common international standard would be.

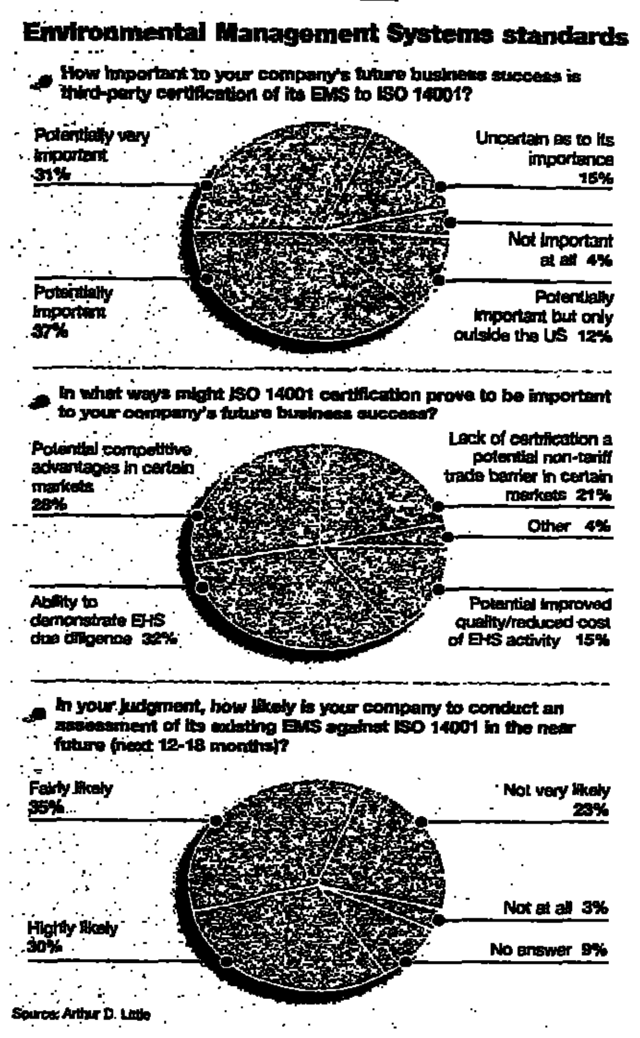
The aim is that like the ISO 9000 series for quality management before them, the ISO 14000 series should de facto become a mandatory standard for companies wishing to achieve recognition of their environmental performance in the international market place.

Certification of a company's management system under ISO 14001 would amount to a passport for companies seeking to do business with other environmentally-sound companies. It would also help companies avoid the liability and negative publicity resulting from dealing with a less than environmentally-reliable partner.

One hurdle the standards faced in the negotiating phase was a gulf between the US and the European Union over how far the standards should match the EU's Emas – the Eco-Management and Audit Scheme. US companies had argued that the standards should not recommend the disclosure of the results of environmental audits to assess the effectiveness of their environmental management systems. They fear that such disclosure could be used against them within the more aggressive US legal and regulatory system.

"In the end, we compromised," says Mr Cascio. "The language in 14000 is written in such a way that for European requirements it can be read to match the regulation of Emas. In the US, it reads that the standards set up environmental management systems for managers to fulfil their obligations."

While it is not yet clear how far this compromise will water down the standards, other circumstances militate in favour of the standards being harnessed to improving environmental performance by companies. These circumstances include in Europe at least a trend towards tougher environmental legislation and enforcement, and a growing awareness, long in force in the US, of the possibilities of exploiting environmental performance for competitive advantage.



Source: Arthur D. Little

A survey carried out by Arthur D. Little, the management consultancy, received 115 responses from 260 US and Canadian companies polled last summer. Of those 115 companies – most reporting more than $1bn in sales each and representing a broad cross-section of manufacturing and service sectors – 60 per cent said an environmental management system certified by a third party was important to the future success of the company.

Asked specifically about the new Iso standards, 70 per cent said that ISO 14001 would give them the ability to demonstrate due diligence in environmental, health and safety issues. Sixty-one per cent said it offered a potential competitive advantage. On the less positive side, 48 per cent believed it amounted to a potential non-tariff trade barrier.

Three-quarters of the respondents already had facilities certified under the ISO 9000 quality system standards or were in the process of getting them certified.

Seventy-one per cent said they were likely to do an ISO 14001 assessment within the next 12-18 months, while 29 per cent said it was unlikely or they would not do it at all.

Mr John Willson, the Arthur D. Little consultant who designed the survey, said it showed that "while most companies are not fully committed to ISO 14001 certification, a larger than expected number of organisations are considering registration once the standard is published."

■ **Services:** standards have been slow to emerge, even on a national basis, writes **Frances Williams**

Work has barely begun

For effective standards to be developed there has to be a demand from industry as well as consumers

World trade in services is growing by leaps and bounds and now exceeds more than $1,000bn a year. In 1995, it may account for nearly 30 per cent of all cross-border trade.

In industrialised countries, services account for more than 60 per cent of total gross domestic product. Yet while standards for goods are taken for granted, standards for services have been slow to emerge, even on a national basis. Internationally, work on service standards has barely begun.

This hesitancy reflects the nature of services themselves. We are using services all the time: when we shop, use the telephone, post a letter, ask for information, see the doctor, take a train, hire a car or rent a house. While we can all recognise poor service when we encounter it, many important aspects of good service – such as "service with a smile" – hardly lend themselves to standardisation.

Even where objective measures of performance are available, the selection of those suitable for standardisation raises more problems. It might not be difficult to agree on the desirability of a standard for the time taken to clear cheques, for example. But should there be a limit on queueing time at bank counters? And who is going to check that the standard is being observed?

On an international level, the difficulties are even greater. Does it make sense to think about common global standards for tourism, let alone education and health care, given the vast differences in wealth and culture between countries?

Proponents of standards in services argue that, for certain services at least, standards would be a boon to consumers by guaranteeing service quality or defining a standard service package that would enable them to shop around for the best value. Unlike goods, services are often bought "unseen" and the consumer must take on trust what is offered.

In tourism, to take an obvious example, there is increasing pressure for some kind of international standard for classifying hotels, which would ensure that a three-star rating meant the same in London, Lima, Lagos or Los Angeles. A system of this kind is already in operation in Australia which uses international benchmarks for its own hotel grading scheme.

However, when the benchmarks were first introduced it led to a general downgrading of Australian hotels by an average of half a star – one reason why an international standard is fraught with problems.

"It's my personal view that an international standard for gradings in tourism would be extremely useful," says Mr Maurice Healy, chairman of the consumer policy committee of the British Standards Institution (BSI). "But I don't think most national tourist authorities are about to agree to an international grading which would require them to relinquish control."

> The WTO is already planning work on accountancy services

Less obviously, Germany's Stiftung Warentest, the consumers' testing organisation, found such a confusing variety of service packages offered by mobile telephone operators that it was impossible for an ordinary consumer to compare them. The packages differed on everything from monthly subscriptions, standard call rates and length of call-time units to definition of peak and off-peak times (which varied between geographic zones).

These and other services, including financial services and health care, were identified as possible standardisation candidates by a workshop, sponsored by the International Organisation for Standardisation (Iso), in Beijing in May.

Iso's consumer policy committee, Copolco, has been asked to look at them further, perhaps with a view to introducing some "horizontal" or generic standards on the model of the ISO 9000 series for quality management.

Some fillip to this process may be given by the new services trade agreement of the World Trade Organisation. The accord expressly encourages the use of international standards as a way of guaranteeing minimum quality and safety standards while avoiding unnecessary trade barriers.

The WTO is already planning work on accountancy services, where a number of international standards already exist, with the aim of making it easier to trade these services worldwide.

However, for effective standards to be developed there has to be a demand from industry as well as consumers. According to Mr Loïc Henry, who looks after services at the Association Française de Normalisation (Afnor), the French standards body, benefits to industry may include raising consumer awareness, improving efficiency, fighting off competition from "cowboy" operators and defining responsibilities to the client.

Indeed, Afnor's highly successful quality mark scheme for removals companies followed a request from the industry, which was suffering damaging inroads from foreign competitors. Within six months, the 30 removals companies with the NF service mark had boosted their business by 20-30 per cent, Mr Henry notes. The mark guarantees, among other things, prompt replies to calls, clear timeframes for removals and adequate safety precautions to avoid damage.

Attempts to extend the principle to other services have nevertheless run into problems. Afnor has drafted standards for funeral services but the companies involved have yet to accept the idea of NF certification. Similar difficulties have arisen over standards for emergency car breakdown services, which is complicated by the involvement not only of garages but of insurance companies and car manufacturers.

However, Mr Henry says standards for services provided by French tourist offices are now being tested in 15 cities. Some standards for education and training services have also been published – although there is no plan for an NF quality mark except, perhaps, for language teaching. There is also a move by French hypermarket chains to agree a common standard for after-sales service for consumer appliances.

French enthusiasm for services standards finds a more muted echo elsewhere. In Britain, as Mr Healy of BSI points out, there is a greater emphasis on industry codes of practice which are, by their nature, more flexible and comprehensive than standards could be. Thus banks are enjoined to "act fairly and reasonably in all their dealings with their customers".

> Industry codes of practice are more flexible and comprehensive than standards

"Going down the standards road would be a huge change in attitudes," says Mr Healy. "There's not much demand from either industry or consumers."

Mr Henry, who is convening a European workshop on standardisation in services in December, says there is some interest in common European standards for cleaning and transport services. Tourism and financial services also feature on some countries' shopping lists. But, he says: "We have to look at priorities, given limited resources."

Mr Healy, who has just been appointed chairman of Copolco, agrees. "Standards bodies are overwhelmed with work. To open up this whole new area will be an enormous challenge."

Electrical harmonisation: efforts may finally be scuppered, reports **Andrew Baxter**

Deadlines draw closer

Strongest opposition to the draft standards came from British and German makers of electrical accessories

After an eventful year in the long, contentious debate on a harmonised European plug and socket system, the protagonists – the plug and socket industry, appliance manufacturers, safety experts and standards bodies – have reached last chance saloon. The debate has been one of the most controversial in the history of European standards setting, and is not over yet. But deadlines are approaching which could finally scupper attempts to establish a harmonised system among the 18-member countries of Cenelec, the Brussels-based electrical standards setting body. Such a system would eventually replace some 20 European plug and socket systems and end decades of conflicting standards.

Last year, a technical committee of Cenelec completed work on a revised version of a standard first issued in 1986 by the International Electrotechnical Committee and known as 906-1.

The various national standards bodies across Europe accordingly published two draft standards for a harmonised European system. One was for the system itself, based on a small unfused plug with two round pins (and a three-pin version for appliances that need to be earthed), and the other was for an adaptor to facilitate a changeover to the system. Publication of the draft standards set the stage for a few final months of lobbying by supporters and opponents of the proposal, but weeks before a Cenelec general assembly in Vienna on June 1 and 2, when results of voting on the proposal were officially announced, it was known to be doomed.

Cenelec has a weighted voting system which means that any proposal can be defeated by two large countries and one smaller one. In the event, nine countries voted against, seven mainly smaller countries voted for it and two abstained.

Strongest opposition to the proposals came from British and German makers of electrical accessories. The German industry had claimed that the proposed system was mechanically inferior to its present Schuko plugs and sockets, and would have raised safety issues during a changeover period.

The UK was worried about "dangerous compatibility" between the new plug and some of the British sockets with their three rectangular holes. But it also believed the proposed plug was too simple technically, increasing the risk of market penetration by cheap imports from Asia.

In spite of the wide margin of defeat for the proposal, the Cenelec general assembly decided to keep going. It voted by a large majority (14 countries in favour, three against and one abstention) that its experts should continue working on a technical solution based on IEC 906-1.

It also decided to take a more flexible approach to the original guidelines for the work to be undertaken, concerning compatibility with existing systems and possible commercial advantages when introducing the new system.

The new work has to be completed, and the relevant standards ratified, by December 31 next year. If not, the so-called "standstill" on national standardisation work on the issue will be relaxed – in other words, countries will be free to go their own way. Mr David Dossett, director of the UK's Electrical Installation Equipment Manufacturers Association, believes the decision to continue was wrong, and was taken despite the vote. It reflects pressure on Cenelec, he says, by the European Commission, which has given strong support behind the scenes to the harmonisation initiative.

There was certainly intense lobbying, if not pressure, in the weeks before the general assembly in Vienna. On one side were producers of white goods and brown goods – everything from washing machines to hi-fi equipment – which have been in favour of harmonisation because they could put the same moulded plug onto virtually every appliance they sell in Europe.

Accordingly, another technical committee of Cenelec, which has several powerful domestic appliance producers and users as members, wrote to Cenelec officials in May expressing concern about the impending defeat of the proposal and the possibility that any further attempt to harmonise the system might be thwarted.

It called for the technical problems to be resolved and the existing standstill arrangements to be maintained.

> Supporters of the defeated proposal refuse to give up

In the other camp, plug and socket manufacturers, grouped within Cecapi (the European Committee of Manufacturers of Electrical Installation Equipment) urged Cenelec in May to relax the standstill.

The industry did not consider it fruitful to spend time and money on more work which countries had clearly said was "not of first priority" in the field of standardisation.

Cenelec has now set up a technical board task force to carry on the work, but Mr Dossett believes it is a forlorn hope.

"It is difficult to see how the proposal can be *sufficiently* modified to attract back those who opposed it," he says. He points out that some of the issues on which countries opposed the proposals, such as how the plug and socket would interface with the back box, will not even be dealt with by the task force.

"We think the standstill should be released," he says. "Countries which want to continue work on a system based on IEC 906-1 should do so. If it is successful, the market will prove it to be so, and its use will spread."

Supporters of the defeated proposal refuse to give up, however. Mr Simon Hossack, the scheme's most vociferous supporter, says most of the technical work has already been done, and remaining technical problems such as the maximum width of the plug body can be dealt with easily.

The task force is understood to be looking at yet another proposal, for an identical small three-pin plug for all appliances. There are clear advantages of economies of scale, and most of the potentially dangerous compatibilities would be removed. But the big disadvantage would be that all existing socket outlets, with or without earth connection, would require an adaptor, which could provoke a backlash from consumers.

Mr Hossack says the Commission should step in if the task force's efforts end in failure. "The sensible thing would be to include plugs and sockets in the [EU] low voltage directive," he says.

Mr Dossett says that would not necessarily lead to a harmonised standard on dimensions, but suggests it could lead to a European-wide safety standard that would leave the dimensions to be settled on a national basis.

Consumers look to the stores for protection, says **Claire Gooding**

Relying on the retailers

Consumer education is undertaken by BEAB in Britain and by Iso worldwide

For the most part, consumers tend to rely on the expertise and knowledge of retailers to protect them – a view confirmed by Nigel Wreford-Brown of the John Lewis partnership.

As a director of buying for hard furnishing, his responsibilities cover electrical goods – so-called "white goods" such as toasters, irons, washing machines or electric blankets, and "brown" household goods, which include electronics, such as televisions, radios and hi-fi equipment.

"From a consumer's point of view, I believe the choice of retailer is more important than the choice of product. That's true for John Lewis customers in that they rely on us to have done the work to make sure that anything they buy from us is sound, fit for its purpose, reliable, safe, and that it's going to give good service and last well.

"Standards are enormously important to us. They help our buyers to know that safety standards have been met: we won't consider anything that hasn't been approved either by the British Electrotechnical Approvals Board (BEAB) or one of the European equivalents."


ERA Laboratories independently tests domestic electric appliances for the BEAB safety mark

The BEAB and British Standards Institution (BSI) kite mark on an appliance mean that it has been tested to a safety standard which conforms to the Cenelec Certification Agreement (CCA). Cenelec is the European Committee for Electrotechnical Standardisation, in which the UK, Austria, Belgium, Denmark, France, Germany, Ireland, Italy, the Netherlands, Norway, Sweden and Switzerland all participate.

A great deal of testing and approval goes on behind the scenes. Mastercare is the organisation that provides service and testing for goods sold by the Dixons Stores Groups. Its laboratory at Hemel Hempstead tests all products sold through Dixons, Currys and PC World stores in high streets all over Britain. Mr Geoff Bellingham, technical director at Mastercare, explains why.

"All products we sell have to be approved for safety: the most immediate application of standards. It's the most obvious one to consumers, but behind that are others on performance, reliability, and engineering quality, that Mastercare undertakes on a voluntary basis." The Mastercare laboratory has been accredited under the government's Namas (National Measurements Accreditation Service) scheme based on the tests for quality management and quality assurance standards embraced by BS 5750 (ISO 9000).

Mastercare also has its own voluntary procedures for testing customer satisfaction, and for ensuring that instruction booklets and other documentation are clearly written. This testing facility represents a significant investment; a laboratory, 10 staff, a wide range of equipment and annual accreditation fees. Smaller retailers are unlikely to stretch to such resources, but they can still be sure of standards through labelling procedures.

With freedom of choice comes responsibility. Consumers can make the choice of buying outside the recognised retail chain – from "shop squatters" (very common in the run-up to Christmas) or from car boot sales.

Car boot sales are an easy way of disposing of goods that do not come up to standard, in such areas as incorrect wiring, inaccurate voltage marking or inadequate labelling. Products that come into the country with no accreditation often get diverted to them, but many consumers may be unaware of the precautions they should take.

A stark warning of the consequences comes from Mr John Simmonds of Kent County Council, former lead officer for product safety for the Institute of Trading Standards Administration, which represents trading standards officers throughout the UK.

"At car boot sales we find stuff that has been rejected by big chains, perhaps because of quality procedures. We had one case of a voltage transformer on an electronic game which burnt a girl's hand. She was knocked unconscious and needed skin grafts. The consumer has no-one against whom to take any action because the supplier has disappeared." Consumer education is a task being undertaken by BEAB in Britain, and by Iso on a worldwide basis. Iso's Copolco committee is linked to the International Organisation of Consumer Unions. Copolco's objective is to educate standardisers on consumer issues, give consumer professionals a forum for the exchange of experience, and study issues that affect consumers.

This process has a practical outcome, of which shorter leads on electric kettles are but one example. Copolco requested special attention to the specific needs of young children in the home environment. The relevant technical committees of the IEC (also represented on Copolco) responded: an example, says the IEC, of the consumer's voice being heard, noted, and acted upon.

Information Technology: Experts on IT standards are a rare breed, writes **Claire Gooding**

Develop, integrate, deliver

Aided by de facto standards, Iso committees have shown a surprising turn of speed, but no unseemly haste, in delivering the IT standards the world awaits

Twenty years ago, long before the Internet became trendy, a group of graduate trainee programmers sat in the basement of one of the UK's largest software houses. They were learning Cobol – the standard business language of the time.

But their tutor advised: "Forget programming. If you want to get on in Information Technology, make yourself an expert on communications, or IT standards. Everyone's terrified of them because they are complex, intricate, boring subjects.

"No-one wants to deal with them, but everybody needs somebody who does, because they're vital to everyday operations." The tutor was right. Any company with ambitions outside its own country needs someone in the organisation who knows about these things. Experts on standards – especially IT standards – are a rare breed, but as necessary to the development of the IT business as engineers were to the creation of canals, railways and roads to the infrastructure of transport.

Like the transport system, IT is an "enabler" of other businesses: part of a complex web of inter-dependencies. A company can be limited or empowered by its IT policy, which increasingly delivers quantifiable benefits in operational areas – retail, logistics, financial analysis – rather than its old role of bean-counting.

It is still true that technology users need standards, but they do not like to think about them. The whole subject is so horrendously complex that they are happy to accept "majority rule." De facto standards consequently evolve, not always around the best possible technical solutions, but around those that become popular, such as the IBM PC, which turned Microsoft into such a mighty power with its de facto standard PC Dos system and applications.

When a brand new technology comes along – or a technology that suddenly gets re-packaged for broad consumption, such as multimedia and the Internet – people complain about the slowness of IT standard-making. A recent report from US market analysts Forrester Research highlights the urgency of forming workable practices for money exchange on the Internet:

"Don't wait for standards," advises Forrester's September 1995 *Network Strategy Report* on credit card usage on the Internet. "Waiting for committee-driven standards for credit cards would take years."

International standards move at glacial speeds, according to the author of the report, Mr Paul Callahan, director of network strategies at Forrester. "So do all standards, apart from de facto ones," he argues. "Companies enter the standards process in order to prevent one another from getting a significant market advantage."

In Mr Callahan's opinion, standards are extremely political, and the process is not fast enough, compared to the role that a dominating market force can play.

"When a company owns a market they can determine the pace – a company in its early stages of domination can move the ball forward swiftly – such as the Internet Web software provider Netscape," he says.

"Netscape didn't spend a lot of time with standards bodies – it simply joined forces with Mastercard to co-develop Secure Courier, much as Microsoft enrolled Visa to develop its STT, Secure Transaction Technology. Only afterwards are the overtures made to standards bodies. That's commerce, and it's the way things are in the real world. At the end, users do not care what the underlying technology is: they want to be sure it works." In fact, the standards committees are the first to recognise the importance of this transition from de facto to signed, sealed, and delivered.

The matter of standards is too weighty to be left to one single voice: it has to be reached via consensus, but a de facto standard gives a head start in a process that can take three years. To avoid duplicating effort on IT standards, Iso, the International Organisation for Standardisation, and its partner the IEC (International Electrotechnical Commission), established JTC1 in 1987 as the first Joint Technical Committee. They now hammer out standards jointly.

Ms Mary Anne Lawler, chairman of JTC1 since 1991, and IBM's director of standards relations, believes that three years for a standard is good, but can be improved upon.

As if the job of creating IT standards were not already complex enough, fields of activity are now beginning to overlap, requiring a degree of co-ordination and political sensitivity which complicate the job.

GII – the Global Information Infrastructure – is a recent addition to the list of concerns. Arguing in favour of the process is Mr Henry Ryan, convener of the Iso-IEC JTC1 ad hoc working group on GII, who works as an IT standards consultant, a member of the corporate standards group within computer manufacturer Digital, based in Galway, Ireland.

"People ask: 'Can you afford to wait for standards?' I'd turn it round. If you don't, you suffer in the long term and end up with an unholy mess," he says. "If people do their own thing then the benefits – and the problems – may not be concentrated in one sector of the industry. We're finding that with the convergence of technologies, such as the superhighway, it isn't enough to develop standards for the IT sector, telecommunications, or consumer electronics individually.

"In the future it's a question of setting applicable standards across common areas, and agreeing them between the sectors. It's an extra level of complexity, but it has to be done. Iso-IEC has to listen. You set standards by listening to what's needed, and subsequently opening it all up to the general community." Various Iso IT committees have demonstrated this approach, even taking advantage of the Internet to publish working documents and gather opinions and input.

IT standards have come a long way in 20 years. Of those Cobol trainees, one subsequently started a highly successful networking and communications company. Another is a (rich) independent standards consultant. The tutor went on to become a luminary, one of the good and great of the computer industry. And one of his trainees is making a living by writing about IT standards.

K.1559-8

FINANCIAL TIMES
COMPANIES & MARKETS
Friday October 13 1995

IN BRIEF

Crédit Foncier in home loans talks

Crédit Foncier de France, the specialist property bank, is in discussions with the French treasury over the provision of new types of loans to help in the construction of rented housing. Page 16

Swiss franc's strength restrains Ciba
Ciba, the Swiss pharmaceuticals and chemicals group, reported third-quarter sales of SFr4.96bn ($4.13bn), down 1 per cent from the same period of last year because of the continuing strength of the Swiss franc. Page 16

Poland approves cement works sell-off
Poland's privatisation ministry has cleared the sale of the Ozarow, the country's largest and most modern state-owned cement works to Holding Cement Polski, a mixed local and foreign group. Page 16

Myer family backs Coles Myer changes
The Myer family, leading shareholders in Coles Myer, Australia's largest retailer, is understood to have thrown its support behind institutional investors which are seeking important boardroom changes at the company. Page 17

Demerged AT&T names new chief
AT&T, the US telephone group which last month announced it was demerging its telephone equipment business, has appointed Mr Henry Schacht, 60, former head of Cummins Engine Company, as its chairman and chief executive. Page 18

Moore Corp raises Wallace Computer bid
Moore Corporation, the Canadian information services group, has raised its hostile bid for Wallace Computer Services from US$56 to $60 a share, valuing the Chicago company at $1.38bn. Page 18

SelecTV confirms takeover discussions
SelecTV, the UK independent programme producer which is a key member of the UKTV consortium bidding for Channel 5, said it was in talks that could lead to a bid for the company. Page 19

Volume and luxury sales lift Time Products
A strong performance from both volume and luxury watches, including the sale of one piece for more than £1m, lifted interim profits at Time Products by 18 per cent. Pre-tax profits for the six months to July 31 rose from £4.69m to £5.54m ($8.6m). Page 20

Gold rush follows Chinese liberalisation
Turmoil gripped the Chinese gold sector since the state council, or cabinet, started liberalising the industry in 1993. It spurred one of the greatest gold rushes in the country's history. Page 27

UK groups to test water in Shanghai
Thames Water and Bovis of the UK have formed a joint venture with the Shanghai municipal government to build a water treatment plant in the city. The project is valued at $73m, the financing of which will be on a limited-recourse basis - one of the first such loans in China. Page 28

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Asko Prf	770	+	25
MAN Prf	328.8	+	8.3
Falls			
Hochtief	667	-	11
Linotype	205	-	12
Porsche	656	-	14
VEW	462	-	11
NEW YORK ($)			
Rises			
Exide	47¾	+	3⅛
Intl Rectifier	44⅝	+	3⅜
Kent Elec	45⅞	+	4⅞
Falls			
Amer President	23¾	-	1⅝
Network Equip	35¾	-	2¼
Russell Corp	22⅞	-	3⅛
LONDON (Pence)			
Rises			
ADT	878	+	43
Bilton	125	+	10
Cadbury Schwp	545½	+	28½
SelecTV	32½	+	6½
Falls			
Aragon	62	-	10
Etam	153	-	14
TORONTO (C$)			
Rises			
Alta Nat Gas	24	+	1⅝
Delrina Corp	20⅝	+	1½
PC Docs	20⅝	+	1⅛
Softkey Softwr	58⅝	+	3¼
Falls			
Summit Res	10⅝	-	⅛
The Second Cup	11	-	¼
PARIS (FFr)			
Rises			
CCF	222.5	+	5.8
Eridania B-Say	806	+	36
Eurafrance	1885	+	225
Gaumont Soc N	302.5	+	13.4
Lafarge	326.9	+	15.9
Falls			
Ipm France	224.5	-	6.7
TOKYO (Yen)			
Rises			
Ando Constn	528	+	30
Fuji Elec	520	+	19
Iseki & Co	378	+	26
NHK Spring	488	+	22
NTN	614	+	28
Falls			
Yamaichi Secs	575	-	26
HONG KONG (HK$)			
Rises			
Pam & Frank	1.16	+	0.23
Pearl Oriental	4.475	+	0.225
SAS Dragon	3.025	+	0.3
Vtech Hldgs	12.3	+	0.6
Falls			
Logic Intl	1.21	-	0.14
Lucky Man Prop	4.825	-	0.375
BANGKOK (Baht)			
Rises			
Swedish Motors	109	+	7
TS Life	40	+	3
Tuntex	52	+	2.5
Falls			
Siam Com Life	36	-	4
Supalai Pub	75.5	-	6.5
Thai Sreshthrk	86	-	6

New York and Toronto prices at 12:30.

GE Capital bids for French group

By Andrew Jack in Paris

General Electric Capital, the US-based financial services arm of General Electric, yesterday launched a friendly FFr7.7bn ($1.5bn) takeover bid for Sovac, a French specialist financing group, as part of its strategy of expansion into the country.

GE Capital has offered FFr610 a share in cash for 12.6bn Sovac shares. Sovac is controlled by two French companies linked to the Lazard financial group.

The offer is at a substantial premium to the stock market price of Sovac, which stood at FFr364.90 before the shares were suspended yesterday ahead of the announcement. It is the latest in a string of deals across Europe by GE Capital, which is expanding aggressively.

Sovac provides specialist financing for purchases of cars, equipment, companies, as well as property and corporate loans. At the end of last year it had total outstanding loans of FFr36.6bn and employed 2,600 people. It reported net income of FFr496m for the year on turnover of FFr2.56bn, and net income of FFr226m for the first half of 1995.

The group is indirectly linked to family members and partners of Lazard Frères, the banking group, which own large stakes in Eurafrance and Financière Gaz et Eaux via a holding company called Rue Impériale de Lyon.

Eurafrance in turn owns 50.7 per cent of Sovac and a further 12 per cent of Sovac is held through Financière Gaz et Eaux. Both companies have expressed their willingness to sell to GE at the offer price. The rest of shares are held publicly through the French bourse.

Mr Bruno Roger, senior partner with Lazard Frères in Paris, which advised on the sale, said that there had been several offers for Sovac, but that GE Capital's was the most generous.

"Sovac was at a crossroads," he said. "It needed to expand and we could not do it. Our role is to add value. GE can do that."

GE Capital has already begun to increase its business interests in France, acquiring Crédit de l'Est, a consumer credit company, for about FFr1bn at the start of this year.

It controls Avis Fleet Services, and TIP, a trailer rental company, which have a significant presence in France. GE Capital's subsidiary FGIC, which provides financial guarantees, recently signed a co-operation agreement with Axa, the French insurance group.

GE Capital said that its financial resources and international expertise would allow Sovac to pursue its development in the interest of its partners and clients.

GE Capital and Sovac refused to comment on the transaction.

Texas Energy quits UK battle

By David Wighton in London

Electricity share prices rose again yesterday as Texas Energy Partners pulled out of the bidding for Norweb and turned its attention to other potential targets in the sector. The Texas move leaves the way open for North West Water which on Wednesday increased it offer for Norweb by £100m to £1.8bn ($2.8bn) and won a recommendation.

Texas Energy, a joint venture between US utilities Houston Industries and Central and South West, has made no secret of its potential interest in other regional electricity companies (recs) although Norweb was its preferred target.

Of the six independent recs not facing a bid, City attention focused on the three which are a similar size to Norweb: London Electricity, whose shares rose another 29p to 927p; East Midlands Electricity, up 16p at 893p; and Yorkshire Electricity, 7p higher at 903p.

In addition to Texas, other overseas companies are believed to be interested in the sector, although PacifiCorp, the US utility which held abortive talks with Manweb, is thought to have switched its attention elsewhere. Manweb's board resigned yesterday following the group's acquisition by Scottish Power on Friday. The directors will leave with an estimated £4m in compensation, option and pensions.

Explaining the decision to pull out of the bidding for Norweb, Mr Tom Shockley, co-chairman of Texas Energy Partners implied that North West was overpaying.

"We continue to believe in the rationale underlying our offer. However, we do not believe that it is in the interest of our shareholders for us to continue to compete for Norweb with North West Water, who illustrated again [on Wednesday] their determination to secure control of Norweb, even at a very full price."

He pointed out that North West's cash offer of £11.50p was 175p a share above its original offer and 140p higher than any cash offer for a rec since July.

However, North West's share price recovered 6p to 579p yesterday as it continued to buy Norweb shares taking its stake to more than 29 per cent.

North West's offer, which would create the first merger between UK water and electricity utilities, has yet to receive regulatory clearance.

JP Morgan corporate finance income soars

By Richard Waters in New York

J. P. Morgan's transformation into an investment bank took a further step in the last quarter with an 81 per cent advance in corporate finance income, according to figures released by the US bank yesterday.

The bank also benefited from a rebound in trading profits on the back of a strong bond market, enabling it to record a 10 per cent rise in after-tax earnings at a time when most analysts had expected profits to remain flat or even fall. The figures lifted J. P. Morgan's shares $1¼ yesterday morning in New York, to $79⅝.

J. P. Morgan's gradual encroachment into the traditional territory of investment banks has been aided in recent months by the strong US new issue markets and heavy takeover activity. It has also made headway in winning a broader range of advisory work from existing banking customers.

Its most notable work in recent weeks has been for Westinghouse Electric in the company's bid for CBS, and its role in advising Niagara Mohawk, a US electric utility, on a plan to break up into separate power generation and distribution companies. J. P. Morgan's Corporate finance revenues were $195m in the past three months, up from $108m a year ago.

J. P. Morgan also recorded a rebound in trading revenues, which it attributed to "strong client volumes in favourable market conditions". In total, these advanced 22 per cent to $434m.

Mr Douglas Warner, chairman, said the bank was "earning a growing share of our clients' business, with advances in equity and debt underwriting, corporate finance advisory, marketmaking and investment management results". Investment management revenues rose 13 per cent to $150m.

These gains contributed to after-tax profits of $360m on revenues of $1.55bn for the quarter, up from $327m on revenues of $1.43bn a year ago. Earnings per share rose to $1.78 from $1.63.

The bank's latest figures also demonstrated the continuing difficulty banks have had in restraining costs. J. P. Morgan's costs rose 9 per cent in part because of its extensive operations outside the US, which added 2 percentage points to reported cost growth as the dollar weakened. This was almost entirely due to higher bonuses paid to staff on better results, it said.

The bank's results also included $91m gains from the sale of investment securities, compared with $148m a year ago. Its post-tax return on equity rose to 14.9 per cent, from 13.9 per cent.

A leading US hedge fund manager is calling it a day

Michael Steinhardt

Picture: Jim Estrin

Hedge fund managers' investment performance* (%)

	1993	1994	1995	Average return over 5 years (1990-94)	Approximate funds under management $bn
Michael Steinhardt	38.0	-30.5	18.6	23.8	2.6
George Soros	68.1	-4.6	37.0	40.2	11.0
Julian Robertson	22.1	-8.7	16.4	28.3	7.0

* Composite of each managers' main funds non-dollar weighted

Source: Industry estimates

Why Steinhardt's loud roar will be heard no more

When Michael Steinhardt roared, it wasn't only his secretaries that trembled.

The legendary hedge fund manager, renowned for his belligerent and domineering style, once had the power to cow financial markets with his big investment positions. But his roar, already severely muted, will soon be heard no more.

On Wednesday, the Brooklyn-born fund manager informed his investors he had decided to call it a day. At 54, the strain of running a big and aggressive investment fund had finally taken its toll. Mr Steinhardt plans to devote his time to the Democratic and Jewish educational causes he has toyed with for many years.

Hedge funds borrow heavily to support their investments and take large risks on the direction of financial markets.

Mr Steinhardt is not the only hedge fund manager to hand money back to his customers in the past year. Mr Paul Tudor Jones, head of the Tudor investment group, handed over a third of his investments last year, while Mr Bruce Kovner, head of Caxton and a former Steinhardt associate, decided in June to give back two-thirds of the money he managed. Both said difficulty of manoeuvring through the financial markets with such large amounts of money had made it hard to maintain performance.

Was Mr Steinhardt's voluntary retirement another sign that the biggest hedge funds have outgrown themselves? And does it point to leaner years for the industry, some of whose most famous names have returned superior investment performances over a prolonged period? (Mr Steinhardt claims an average cumulative return of more than 30 per cent a year for 28 years.)

Certainly not, the great man said yesterday: "My decision has nothing to do with the hedge fund business, and nothing to do with size."

His muted tone seemed to confirm what people close to him have said for some months: after many years in the investment business, and heavy losses sustained last year, Mr Steinhardt has lost his desire to carry on. "1994 was a miserable year for me," he said. Steinhardt lost more than $1bn last year.

Also, a prolonged Securities and Exchange Commission investigation into Steinhardt's alleged collusion in an attempt by a Salomon Brothers trader to corner some parts of the US Treasury bond market in 1991 seems to have taken its toll. Those four years, culminating in a fine paid by Mr Steinhardt last year, "are certainly not something I want to relive", he said.

His reasons for retirement may be personal. But his battle-weariness reflects the broader problems of the industry, brought on by a poor year in 1994. Hit by a crash in world bond markets and the dollar's slide, several big funds sustained losses for the year – among them Mr George Soros, Mr Julian Robertson and Mr Steinhardt.

Some of the big hedge fund managers say it is too early to write them off. Among them is Mr Robertson, 63, whose Tiger group has been among the most successful in recent years.

On Tuesday, Mr Robertson said it was still possible for a big fund betting on directional movements to sustain high returns. The next big opportunity: the Japanese bond market, where a loose monetary policy would already have pushed bond yields up by 150 basis points if it weren't for official actions to hold down yields.

"History tells us eventually that amount of monetary gasoline sprayed around will catch fire, and when it does, nobody will be talking about a Japanese deflationary crisis or about a bond market sporting a 2.75 per cent long term rate."

Even if some of the other big hedge funds have lost the appetite for making big bets, based on views such as these, there is no sign that the hedge fund industry is dying.

Pension funds are putting more money than ever into hedge funds, according to a senior trader at a New York bank. Many funds have tamed their "cowboy" ways after years of excess and become a more respectable high-yielding vehicle for mainstream investors, the trader says.

Last year's losses may have been good for the health of the industry. Mr Richard Medley, a hedge fund consultant, says: "There has been a process of timber-clearing in the industry in 1994-95. Some of the weaker roots have been pulled up, and some of the older timber has felled itself. Any time an industry goes through that, it benefits."

While some funds have handed money back to investors, smaller ones have been popping up like mushrooms. The average hedge fund is less than four years old and manages about $20m, says Mr George Van, an consultant based in Nashville. Many will fall by the wayside, but some are likely to be the Michael Steinhardts of the future.

This year has seen better returns for hedge funds – though most have failed to match the advances of most mutual funds on the back of the US stock market's advances. According to WPG-Hennessee, a investment advisory firm which tracks the performance of 200 funds, the average fund achieved a gross return of 15.3 per cent in the first nine months of this year.

For Steinhardt's investors, it hardly makes up for 1994. "Looking back, the word that springs to mind is hubris," the fund manager said yesterday. Plunging for the first time into international bond markets proved profitable in 1992 and 1993, but "it is an area where I didn't have the depth of experience I had in other areas".

Richard Waters and Philip Gawith

Finnish sports goods maker slides 77%

By Christopher Brown-Humes in Stockholm

The problems at Amer, the Finnish group which owns the Wilson sports equipment brand, deepened yesterday when it reported an unexpectedly steep fall in interim profits and said its full-year figures would be significantly worse than last year.

It is the latest blow to a company which removed its chief executive two months ago and where the main shareholders have, since then, been approached by an unidentified bidder.

Amer said profits fell 77 per cent from FM164m, to FM37m ($8.6m), in the first eight months, after it plunged into a FM38m loss in the second four months, from a FM82m profit a year ago.

The group's shares dropped nearly 13 per cent on the news to FM68, from FM78, but later recovered the lost ground. Analysts said the shares were supported by continued bid speculation.

The problems stem mainly from Wilson's golf operations. The botched launch of a range of clubs meant it incurred heavy marketing costs this year, but then missed out on the main buying season by deferring the launch from May to September. It was hit by a customer preference for lower-priced equipment over Wilson's high-end high-margin products. There was a better performance from tennis racquets, where Wilson remains the global market leader, and from the Atomic ski division. However, Macgregor, another golf brand, incurred losses.

Amer indicated that it expected to return to the black in the final four months, but said full-year profits would be well below last year's FM272m.

Group sales fell 15 per cent to FM4.23bn, although in local currencies they rose 5 per cent. Operating profits slumped to FM137m, from FM277m.

The group could shed no further light on the identity of the bidder who approached holders of its vote-heavy K shares on September 18. A number of names have featured, including Aritmos, a sporting goods company which controls the Puma brand, and Nike, the US group best known for its sports shoes.

EUROPEAN NEWS DIGEST

Iberia above target at nine month stage

Iberia, Spain's financially-troubled national airline, is inching its way back to profitability but continues to require a big injection of funds to repair its damaged balance sheet, according its senior officials.

In evidence to the Madrid parliament's industry commission, Mr Juan Saiz, the airline's chief executive, said operating profits at the nine-month stage this year were Pta25.4bn ($205.6m), double initial projections. Losses in the first eight months had fallen from Pta35.4bn to Pta16.6bn. Net losses at Iberia, which is wholly state-owned, were Pta41.5bn in 1994 and almost Pta70bn in 1993. It is currently negotiating the authorisation by the European Union of fresh public funds totalling Pta130bn because it is hamstrung by a depleted capital base. Mr Saiz said the airline's equity had dropped from Pta27.6bn early this year to Pta18bn at the end of September. "We are not in a bankrupt situation but we are not far from one," Mr Saiz told the commission.

Tom Burns, Madrid

Hellenic Bottling advances 17%

Hellenic Bottling Company, the Coca-Cola franchise-holder for Greece and Bulgaria, yesterday announced a 17 per cent rise in first-half pre-tax profits to Dr17.1bn ($72.9m), on sales of Dr72bn. The company said consolidated earnings from its Greek operations, including subsidiaries for fruit juices, plastic packaging and refrigeration equipment, increased 12 per cent to Dr13.1bn. First-half profits in Bulgaria, where HBC has five joint ventures with local soft drinks bottlers, tripled to Dr1bn. Earnings from minority stakes in Coca-Cola bottling operations in Romania and Molodova contributed another Dr1.5bn.

However, HBC had to subtract Dr2.1bn in capital gains earned by Dunlogan, the northern Irish Coca-Cola bottler, following a restructuring carried out six months ago by its parent company, the Cypriot-owned Leventis group. Leventis, which has held Coca-Cola franchises for Nigeria and Ireland for more than 30 years, owns 80 per cent of the Greek bottler through a holding company based in Luxembourg. The group has become one of Coca-Cola's largest international bottlers by acquiring new franchises in eastern Europe and the former Soviet Union.

Through HBC, which is listed on the Athens stock exchange, Leventis has invested $75m in Bulgaria in the past three years. It has modernised plants owned by its local partners which are co-operative bottlers in Sofia and four provincial towns. Leventis has also set up a distribution network for selling Coca-Cola from refrigerators provided by HBC at kiosks and corner shops throughout the country.

HBC is building a $15m plant for producing Coca-Cola in cans on a greenfield site outside Sofia in Bulgaria. In Romania, Leventis has invested $78m in three greenfield plants for bottling Coca-Cola as well as distribution networks organised on similar lines to Bulgaria. It has paid $2.5m for a stake in Ticara, a joint venture with a Romanian partner, which makes plastic crates. Leventis is also building a Coca-Cola bottling plant at Orel, south of Moscow, and is modernising an existing plant in Armenia.

Kerin Hope, Athens

Setback for GIB at midway

GIB, Belgium's largest retailer, yesterday posted an 8 per cent decline in net profits after minority interests from BFr705m to BFr645m ($22m) in the six months to end-July. Sales fell 1.7 per cent from BFr113bn to BFr112bn. GIB said the lower profit was primarily due to the "severe setback" suffered by Handy Andy its US unit. After stripping out that effect, net profit would have risen 21 per cent. Following talks with Handy Andy on a recovery plan, GIB decided not to increase its financial commitment in the unit. Handy Andy's management is to acquire Gib's 65 per cent stake of the company.

AFX News, Brussels

EdF sees profits of FFr1bn

Electricité de France, the state-owned electricity group, is expected to post a net profit of FFr1bn in 1995 after payment to the state of FFr3bn ($201m) in tax and other charges, Mr François Ailleret, managing director, said at the World Energy Council in Tokyo. Sales are expected to fall from FF192bn to about FF180bn, he said. EdF expects to cut its debt to FFr145bn by the end of 1995.

AFX News, Tokyo

Volvo unit warns on margins

Mr Tuve Johansson, newly-appointed chief executive of Volvo Car, the carmaking division of Volvo, has told personnel that profit margins are too low and costs must be cut, staff magazine Volvo Nu reported. "Belts must be tightened . . . and we must earn profit at every phase of the economic cycle, also at the bottom," he said.

AFX News, Stockholm

Kemira surges to FM415m

Kemira, the Finnish chemicals group, yesterday said pre-tax profits for the eight months to end-August surged from FM167m to FM415m ($96.5m). Net earnings were FM478m, compared with FM279m.

AFX News, Helsinki

Electrolux to meet sales target

Electrolux, the Swedish household appliance group, expects to meet its target of doubling sales of appliances in Russia, this year and next. It expects to achieve a 10 per cent share of the market in 1996, the company said. Electrolux said it would invest $10m over three years in a marketing campaign in Russia.

AFX News, Stockholm

Police seize documents of Gemina subsidiaries

By Andrew Hill in Milan

Italian financial police yesterday took away more documents from subsidiaries of Gemina, the Italian investment company which is under investigation for alleged falsification of accounts.

Milan magistrates are looking into allegations relating particularly to Gemina and its 93 per cent-owned publishing subsidiary, RCS Editori, which announced heavy losses in 1994 and the first half of this year.

Documents have also been recovered by police from the Milan offices of Coopers & Lybrand and Arthur Andersen, which audited the accounts of Gemina and certain subsidiaries.

Meanwhile, Consob, the Italian financial markets watchdog, has opened an inquiry into possible insider dealing in Gemina's shares.

The inquiry covers two different periods: between December 1994 and March 1995, when RCS announced its unexpected 1994 losses; and the period since September, when Gemina announced its controversial plan to merge with Ferruzzi Finanziaria (Ferfin), the holding company which controls the Montedison industrial group.

Gemina has said it will look at the proposed terms of the Ferfin merger between Sunday and Friday of next week.

Mr Luigi Abete, head of Confindustria, the Italian employers' federation, said yesterday that he believed the merger – which will reinforce Italy's second largest private industrial group – was still valid, and that the inquiries by Consob and the Milan magistrates were a separate issue.

Gemina's shares, hit badly in the last few weeks, recovered yesterday morning but fell back on news that financial police had visited the company's subsidiaries. They closed at L696, down L6.8.

Crédit Foncier seeks lift to housing business

By Andrew Jack in Paris

Crédit Foncier de France, the specialist property bank, is in discussions with the French Treasury over the provision of new types of loans to help in the construction of rented housing.

The move would help generate new areas of activity for the bank. CFF has experienced a sharp decline in its share price after the government announced this autumn the termination of a subsidised home loans programme which had formed the backbone of its business.

Mr Jean-Claude Colli, governor of the bank, said yesterday he was holding talks with government officials about the structure of new loans with fiscal incentives designed to encourage construction of both public housing and private rental projects.

In an interview, he said he was also talking to the Treasury about the idea of Crédit Foncier developing new financing schemes to help rehabilitate many of the old office buildings in Paris that are currently empty because they are judged unsuitable for use.

Both initiatives would be designed to help provide a lift to the French property market, particularly in Paris, which has been suffering a sharp deterioration in prices over several years.

Crédit Foncier, like its banking competitors and many financial institutions, has suffered severely from the downturn in the property market.

The bank has been particularly badly hit because it focuses solely on property lending. It has traditionally been helped by a monopoly in the provision of a range of government-subsidised property loan schemes, as well as so-called PAPs – which have just been abolished. PAPs were offered by all banks but Crédit Foncier held a large share of the market.

However, it made an important coup at the start of this week when the ministry of economics confirmed that Crédit Foncier could sign an exclusive agreement with the French post office concerning the government's new zero-interest housing loans.

The government has ruled that the post office cannot issue the new loans – which will be available from most French banks – but it can refer existing clients to Crédit Foncier.

The post office will initially take 9 per cent of the share capital of a joint venture with Crédit Foncier, which will pay a commission in exchange for each home loan it offers as a result.

The final details are still being discussed.

Ciba upbeat despite decline in sales

By Ian Rodger in Zurich

Ciba, the Swiss pharmaceuticals and chemicals group, has reported a 1 per cent decline in third-quarter sales to SFr4.96bn ($4.3bn) from the same period last year because of the continuing strength of the Swiss franc.

However, the group maintained its forecast of "further improvements" in operating profits and higher net income for the full year.

Analysts said the results were in line with expectations, and the bearer shares, which have risen strongly in the last six months, gained SFr2 to reach an all-time high of SFr954.

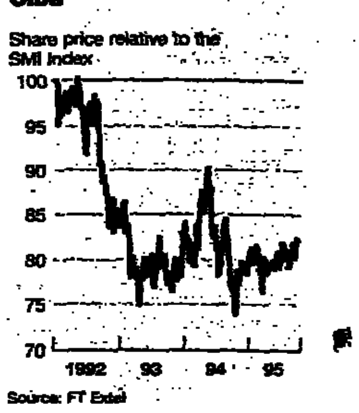
Healthcare division sales dropped 2.9 per cent in the third quarter to SFr2.06bn because of the hiving-off of the diagnostics division to an associate. Pharmaceuticals sales increased 2.8 per cent to SFr1.52bn, indicating an acceleration of growth since the first half. Fears of a drop in sales following the introduction of generic competition in the US for the group's leading drug, Voltaren, proved unfounded.

Sales of over-the-counter non-prescription products jumped 12.2 per cent to SFr263m, helped by the takeover last year of the OTC business of Rhône-Poulenc Rorer.

The agricultural division achieved a 20.9 per cent advance in sales in the quarter to SFr1.02bn, mainly because of a 60 per cent surge in revenues on the animal health side.

Ciba said its new flea treatment for dogs and cats, launched in the US in the first half, continued to be a "big success".

Sales of industrial chemicals were down 8.1 per cent to SFr1.88bn, and Ciba said there had been a deceleration in business in some of its customer industries.



Source: FT Extel

Hungary to place MOL shares

By Virginia Marsh in Budapest

Hungary will launch an international private placement of up to 25 per cent of MOL, the country's oil and gas conglomerate, early next month. It also plans to sell another stake of between 28 and 33 per cent next year, APV Rt, the state privatisation agency said yesterday.

This year's placement, expected to raise around $250m, will be Hungary's largest offering to date and is part of efforts to speed up privatisation. Hungary has also announced tenders, due to close in November, for stakes in its gas distribution and electricity companies.

APV Rt said it would sell a further 19.5 per cent of Richter Gedeon, Hungary's leading pharmaceuticals producer, which was partially privatised and floated last year.

A 14.4 per cent stake would be placed with institutional investors and 2 per cent through a domestic public offer. Employees would be offered 3.1 per cent at a discount, while a further 10 per cent would be transferred to two state social security funds.

The state, which is being advised by Schroders and Creditanstalt, last year placed a 33.4 per cent stake in the company for $52.4m at an offer price of Ft1,200. The stock, one of this year's best performers on the Budapest Stock Exchange, lost 50 points yesterday to close at 2,250, down from a 12-month high of 2,485.

With MOL, APV will offer a further 3 per cent to domestic investors and 6 per cent to employees. It has set the offer price for employees at 140 per cent of par, around 20 percentage points above the stock's present level in the OTC market. Staff will receive a 50 per cent discount and other preferential payment terms.

APV said the MOL board would meet next Monday to discuss rights to be contained in the state's 'golden share' in the company. The state intends to reduce its MOL stake to 25 per cent plus the golden share.

Merrill Lynch, the US bank, and Kleinwort Benson, the London-based merchant bank, were appointed global co-ordinators on the offering in August. MOL reported a consolidated net loss of Ft2.6bn ($26m) last year on net sales of Ft270.2bn.

Poland clears sale of plant to cement group

By Christopher Bobinski in Warsaw

Poland's privatisation ministry has cleared the sale of Ozarow, the country's largest and most modern state-owned cement works, to Holding Cement Polski. HCP is a local and foreign group in which CRH, the Irish construction and building materials group, has a 40 per cent stake.

The sale comes just after Gorazdze, another cement works built at the same time and of similar capacity, completed an initial listing on the Warsaw stock exchange.

Investors, who had paid 30.5 zlotys a share at the public offer in the spring, initially saw their shares rise 84 per cent. However, the price has since slipped to 48 zlotys a share.

This values Gorazdze, 34 per cent of which was sold to CBR of Belgium two years ago, at 355m zlotys ($158m). At this price, the group has a historic price earnings ratio of 7.4.

HCP is expected to pay $55m for a 75 per cent stake in Ozarow. The deal should close next week. It follows the recent signing of a welfare package with the unions guaranteeing the maintenance of present employment levels at the plant. The agreement came after pressure from the government, which threatened to float Ozarow on the Warsaw stock exchange if the unions resisted HCP's offer.

GM raises stakes in battle over Polish car industry

The government could lose leverage in contest for state company

By Kevin Done, East Europe Correspondent

The stakes have been raised again in the tense game of poker being played over the future of a large part of the Polish car industry, and in particular over future control of FSO, the Polish state-owned car manufacturer.

Two months ago the Polish government decided to jilt – at least temporarily – General Motors, the world's biggest vehicle maker. Instead of the protracted, slow-burning affair it had been conducting with the US car maker, it fell into a sudden relationship with Daewoo, the South Korean industrial conglomerate.

Apparently dazzled by the riches on offer from Seoul, the government signed a memorandum of understanding with Daewoo in late August, with the aim of the Korean group acquiring a 60 per cent stake in FSO.

Daewoo said that it was proposing to invest about $1.1bn during the next six years to establish a production capacity of up to 220,000 cars a year at the FSO plant in Warsaw by 2001.

This week GM has responded by informing the Polish government that it remains determined to establish a significant presence in Poland – with or without FSO.

Suddenly, the government has the mouth-watering prospect of a separate, sizeable GM investment plus the arrival of Daewoo as a saviour for FSO.

But this is where the game becomes tricky. If GM goes ahead with an investment in a new car manufacturing plant on a greenfield site, the government could lose the leverage of a contest for control of FSO between the US and Korean groups. At the same time, however, GM hardly wants Daewoo to gain control of FSO on the cheap.

In a letter to Mr Tadeusz Soroka, deputy minister for industry and trade, Mr David Herman, chairman of Adam Opel, the main GM subsidiary in Europe, says that GM is still willing to consider an association with FSO "given the risk that the Daewoo negotiations could be fruitless". The US carmaker clearly feels that it is running out of time, however, if it is to secure a significant share in the Polish market – the biggest in central Europe – by the end of the decade.

There is a growing belief that although a deal with FSO could be the lower-cost option in the short term, the task of restructuring the antiquated Polish carmaker could prove very expensive in the long run. It is believed that it is better to bite the bullet with an investment from the outset in a modern plant, with all the attractions of lean production methods.

With this in mind, GM is visiting potential sites in southern Poland in the region around Krakow this week, and Mr Herman has outlined an aggressive expansion plan to the government.

GM is seeking a site to build a new car plant with a planned investment of up to DM500m ($351m). It has told the government that it hopes to make a decision on a location by mid-November.

The project will go to the GM board for final approval by the end of the year. Production is planned to begin by March 1998, with an annual capacity of up to 100,000 cars a year.

The plan includes both fully integrated car manufacturing and components production.

Output of a low-cost family car would be aimed chiefly at the domestic Polish market and at other markets in central and eastern Europe.

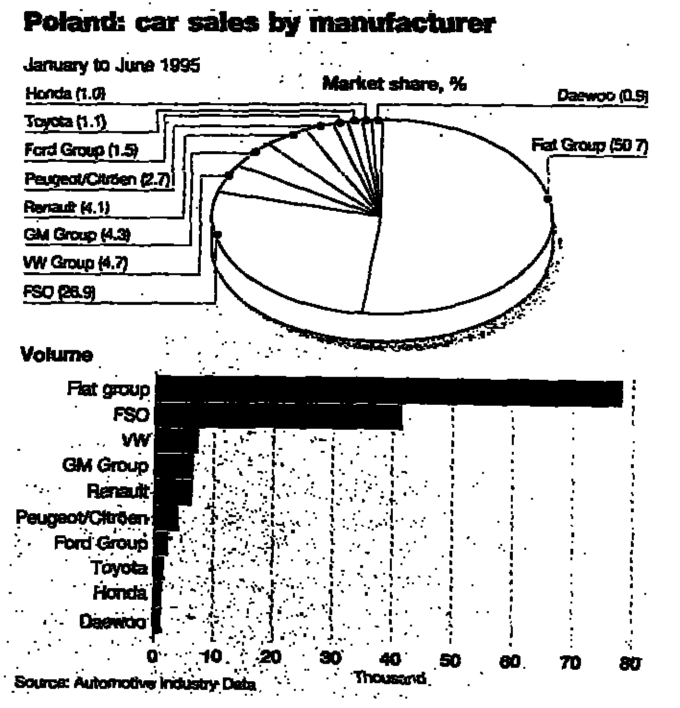
In addition, GM says that it is at an early stage in the planning of another "entirely new vehicle" range, which could also be manufactured in Poland at a later date and which could more than double capacity to over 200,000 cars a year.

GM is also finalising a plan to establish a central European materials and components purchasing office in Warsaw to buy parts for its plants in west Europe and elsewhere.

It is aiming to raise purchases in the region to supply its existing Opel/Vauxhall assembly plants in west Europe to DM1bn by 2000 from less than DM200m today.

It forecasts that purchases from Poland could exceed DM100m by 1997 and would grow to between DM300m and DM400m by 2000.

Delphi Automotive, the GM group's components subsidiary, is also examining the establishment of a technical development centre in Poland to support its operations in both central and western Europe.



Source: Automotive Industry Data

هكذا من الأصل

Myers thought to support retailer board changes

By Nikki Tait in Sydney

The Myer family is understood to have thrown its support behind institutional investors who are seeking big boardroom changes at Coles Myer, Australia's largest retailer, in an effort to address corporate governance concerns.

Barclay Investment, which holds most of the Myer family's shares, is believed to have sent a letter to a number of Australian newspapers suggesting Mr Solomon Lew steps down from the chairmanship of Coles Myer in favour of a new independent non-executive chairman. The letter also recommends four new independent directors be appointed to the board.

Barclay Investment holds about 7 per cent of the company's equity and is the second largest shareholder after Mr Lew.

Given that a fairly large proportion of Coles shares are held by small private investors – whose support for boardroom changes is difficult to gauge – the Myer family's views could be important to the institutions' chances of winning a proxy battle over new directors.

Earlier this week, three big institutions, including the AMP, indicated they were not satisfied by the company's offer to restructure the business over the next 12 months under the aegis of Mr Lew as non-executive chairman.

They said they would push for new directors, either at the annual meeting next month or at an extraordinary meeting.

Coles was formed by the merger of two big Melbourne-based retail groups in 1985 – Myer Emporium, in which the founding Myer family had maintained a management role, and G.J. Coles.

After the merger, control fell to senior Coles executives who were not related to the original Coles family.

The dynastic links ended last year when Mr Baillieu Myer, son of the Myer Emporium founder, and Mr Ken Coles, one of the founders of G.J. Coles, finally retired from the Coles Myer board. However, the Myer family retained its shareholding.

Debt ratings may be downgraded

Standard & Poor's and Moody's, the US rating agencies, yesterday put the long and short-term debt ratings of Coles Myer under review for a possible downgrade.

Australis share trade suspended for four days

By Nikki Tait

Share dealings in Australis, the Australian pay-TV operator and holder of one of the two satellite broadcasting licences, were suspended yesterday for four working days at the company's request.

The suspension comes amid rumours that the Foxtel cable TV joint venture – which involves Mr Rupert Murdoch's News Corporation and Telstra, the large government-owned telecommunications group – is about to swallow Australis. It is being suggested that Foxtel could be backed into Australis, a stock market-listed company, thus turning the Foxtel venture into a quoted group.

Although Foxtel has downplayed the speculation, Australis shares have risen significantly this week.

Foxtel took a small minority stake in Australis earlier this year, after Australis had started selling subscription TV services. Foxtel is to announce the pricing of its own services shortly. A tie-up between them would reduce pay-TV operators in Australia to two, the other being Optus Vision.

Mazda looks for the fast track

The carmaker hopes change of direction will revive domestic sales

The music was brought to a crescendo in the darkened banquet room of the Takanawa Prince Hotel as Mr Yoshihiro Wada, president of Mazda, yesterday unveiled a luxury car the company has just spruced up for the Japanese market.

For the Mazda executives gathered at the hotel in Tokyo to launch the new Sentia and two other revamped models, the success of this event will have been of particular concern, because the cars' reception will have a more than usual bearing on the fortunes of the company.

After three years of falling sales and two consecutive years of losses, Mazda, one of Japan's five big car makers, has suffered a further setback in the first six months of the present fiscal year, with demand for its cars at home and abroad declining sharply.

"It's quite clear they've had a disaster in the first half," says Mr Matthew Ruddick, industry analyst at James Capel in Tokyo.

Mazda's woes have triggered widespread speculation about its relationship with Ford, the US carmaker which has a 24.5 per cent stake in the company. The plight of the Japanese car maker has raised concerns that Ford might want to pull out. So far, the US company has stressed that its relationship with Mazda is, as Mr Ronald Leicht, one of four directors who have joined Mazda from Ford, says, "working very, very effectively".

At home, Mazda has failed to join the upturn in vehicle sales spurred by replacement demand from the large number of car owners who bought during the high-growth years of the bubble economy.

While vehicle sales in the overall market have grown 2.6 per cent in the first half of this year, Mazda has seen year-on-year sales in Japan decline every month except May, when sales were up a modest 1.4 per cent.

Domestic sales of Mazda's vehicles, including mini-cars with engine capacity of 660cc and less, dropped more than 11 per cent in the first half, according to Mr Ruddick.

As a result, market share has slipped from a peak of 7.7 per cent in 1990 to just 5.3 per cent in the first half of this year, relegating Mazda to seventh place in the domestic rankings, behind Suzuki and Daihatsu, which are specialist small car makers.

Exports have been badly battered by the strong yen. Since the beginning of this year, Mazda has seen its year-on-year exports, on which it depends on for as much as 60 per cent of sales, decline every month. In the important US market, the company has been hit by a 19 per cent drop in vehicle sales in the period between April and August, according to Mr Ruddick. Mazda says it will not export the Sentia to the US.

While Mazda, which has lagged behind other Japanese carmakers in setting up overseas operations, was particularly ill-equipped to meet the challenge of the yen's rise, its setback in the domestic market stemmed from the company's slow response to two related trends that have transformed the Japanese vehicle market.

First, Mazda was slow to catch on to a move away from sporty coupés, which were popular during the 1980s. While its domestic competitors have reduced the number of coupé models – from 15 per cent to about 8 per cent in Nissan's case – Mazda's ratio of coupés in its product line up is still 15 per cent, notes Mr Takaki Nakanishi, industry analyst at Merrill Lynch in Tokyo.

In an attempt to readjust its product line-up, Mazda directed its energies to its core product, the Familia. This is a small saloon that was extremely popular among young buyers and was remodelled last year and launched in the domestic market at a very competitive price.

The Familia's initial good sales suggested Mazda was on the road to recovery. However, what Mazda failed to recognise was that consumers were turning away from conventional passenger cars, such as the Familia, in favour of recreational cars and mini-vans (people carriers).

Sales of the Familia, of which 16,000 units a month were sold during its heyday, have plunged 42 per cent year-on-year in the past three months, to an average of just over 4,700 units, according to James Capel.

Meanwhile, Mazda was also slow to take advantage of the growing popularity of recreational and multi-purpose vehicles in Japan.

In an attempt to catch up, Mazda launched a van in June called the Bongo Friendee, which has been a great success, with demand far exceeding the company's target. In the first three months, orders totalled 27,000 units.

It is now counting on the domestic success of the MPV, a mini-van which was among the vehicles it unveiled yesterday.

Mazda is redirecting its focus again, this time to non-saloon vehicles such as mini-vans and estate cars. Mr Shingo Kondo, a director in charge of domestic sales, says that "rather than try to increase sales of the Familia from 6,000 to 10,000, it is more efficient to increase overall sales by shifting to recreational vehicles".

However, Mazda's late entry into these markets means that it faces stiff competition from formidable rivals such as Honda and Mitsubishi Motors. The situation is more challenging in the luxury car market, where Toyota and Nissan are fighting for market share.

Mazda executives still hope that a better second half will enable the company to break even this year as planned.

However, Mazda's estimated capacity utilisation this year is about 61 per cent, a level at which Mr Ruddick says he does not "see how any company can break even". He expects a third year of losses for the company.

With the new cars in the market, firm replacement demand in Japan, strenuous cost-cutting measures and the recent weakness of the yen, the consensus is the second half should be better than the first.

However, whether Mazda can achieve a turnround in the years ahead depends on its ability to build on the opportunities, with a product line more attuned to the market, a stronger marketing effort and more efficient production.

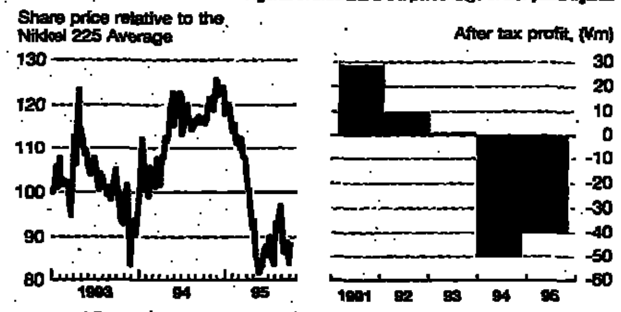
Failure to make progress on those fronts in the next few years, while replacement demand in Japan is still firm, could create serious problems for Mazda. As one analyst rather ominously puts it, "the domestic market has production capacity in excess of 1m units. If Mazda disappears, the other carmakers will count themselves lucky".

Michiyo Nakamoto

Mazda

1995	Production	Domestic sales	Exports
Jan	62,312 (85.2%)	23,374 (95.5%)	35,081 (61.4%)
Feb	77,343 (84.0%)	32,964 (104.6%)	49,908 (81.4%)
Mar	79,662 (73.1%)	50,759 (97.2%)	57,792 (82.3%)
Apr	68,100 (115.1%)	27,303 (83.9%)	33,727 (76.1%)
May	49,943 (76.2%)	25,295 (101.4%)	29,896 (83.5%)
Jun	56,673 (64.1%)	31,050 (84.7%)	25,559 (50.8%)
Jul	60,553 (69.0%)	31,225 (81.5%)	28,515 (55.7%)
Aug	61,406 (85.8%)	23,433 (94.0%)	37,707 (78.3%)

Figures in brackets are a percentage of last years figures



Source: FT Extel, Mazda

ASIA-PACIFIC DIGEST

Chinese Petroleum to be privatised

Chinese Petroleum, Taiwan's state monopoly oil company, is to be privatised over the next five years, the ministry of economic affairs said. The company is Taiwan's largest state-run enterprise, with annual turnover of more than T$300bn (US$11.13bn). The privatisation will start with the release of a 10 per cent tranche in 1997, and will be completed by June 2000. The main business will be privatised first, to be followed by smaller subsidiaries. Larger subsidiaries will become part of the main company and be privatised with it.

Local reports said that between 21 per cent and 33 per cent of the shares would be sold to domestic individual investors and institutions, 15 to 20 per cent to other oil companies and foreign investors, and 7 to 10 per cent to company employees. The government would retain a stake of between 45 per cent and 49 per cent.

The government is also planning other liberalisations of the domestic oil market. At the moment, private oil refiners in Taiwan cannot sell directly into the market: they must sell their output to Chinese Petroleum, which resells it. But from next year, private companies are likely to be able to sell direct. The government is also considering allowing foreign companies into the Taiwanese oil market.

The privatisation of Chinese Petroleum is part of a wider privatisation programme by the ruling Kuomintang party, which has privatised four large companies so far; another five privatisations are planned. The largest was China Steel, of which the government now owns a stake of under 50 per cent. There have been allegations that elements in the Kuomintang have tried to use their influence to build conglomerates of former state-owned companies. *Bethan Hutton, Taipei*

Mayne Nickless divests again

Mayne Nickless, the Australian transportation, security and healthcare company, announced yesterday that it was selling its Spanish security alarms businesses, Cinsesa and Inglesa, to Cerberus, the Swiss security group. No price was disclosed.

The sale is the latest in a series of divestments by Mayne of security assets outside Australia. The company said the transaction was "consistent with the . . . review of general security interests in Europe, as part of the overall assessment of core businesses worldwide". Among businesses sold recently were Security Express Alarms in the UK, which was bought by Chubb, and two North American general security businesses, which were acquired for A$70m ($53.44m) by Rentokil. *Nikki Tait, Sydney*

Singapore Airlines expands

Singapore Airlines said it would expand its passenger and cargo capacity by between 8 per cent and 10 per cent annually in anticipation of increasing demand in the Asia-Pacific market. This "supply-driven approach" was based on projections of rising traffic in the region, which would account for 50 per cent of world air traffic by 2010, officials said.

The airline is moving its software development activities to India to take advantage of lower costs and a large pool of computer industry professionals. Its accounting tasks will be relocated to China. *AFX News, Singapore*

India mortgage group ahead

India's biggest housing mortgage company, Housing Development Finance, said yesterday its net profit for the six months to the end of September rose 29 per cent to Rs762.5m ($22.52m) compared with Rs590.7m a year ago. At the pre-tax level, profits advanced 34 per cent from Rs738.2m to Rs990.7m. *AP-DJ, Bombay*

Telkom cautious on earnings growth

By Manuela Saragosa in Jakarta

Telkom, the Indonesian domestic telecommunications group due to be partially floated in an international offer next month, is not expected to generate high earnings growth until the next financial year as it continues to restructure.

According to the recently-released prospectus for the IPO, Telkom expects net income to rise 4 per cent to Rp827bn ($368.2m) in 1995, on revenues of Rp5,025bn.

Net income in the first six months of this year rose to Rp484bn, from Rp367bn a year earlier.

Analysts say growth is expected to increase significantly next year, but that this depends largely on Telkom's ability to finalise contracts for private sector companies to build 2m telephone lines.

The contracts involve five consortia which signed memorandums of understanding with Telkom this year to build and operate telephone lines in various parts of Indonesia.

The contracts will guarantee part of Telkom's profit from revenue-sharing arrangements with the new privately-managed regional operations for the next 15 years.

Under the agreement, the regional operations would guarantee Telkom minimum revenues of Rp1,459bn in 1996 and "will account for a significant proportion of Telkom's operating revenues", in the following few years, according to the prospectus.

However, sources close to the talks say it is unclear whether the consortia will be able to reclaim value-added tax on their equipment imports under new tax rules set out by the ministry of finance. Costs could increase significantly if this is not allowed.

Mr Setyanto Santosa, president director of Telkom, said in an interview that Telkom was still negotiating with the consortia but insisted that the talks concerned minor points, such as the transfer of assets.

The problem "is now one of bureaucratic procedure", he said.

Companies which have been appointed to build and operate the regional operations, including Australia's Telstra, France Telecom and Japan's NTT, must apply for investment licences and receive approval from the department of justice and the president, he said.

Mr Setyanto said the contracts should be "signed as soon as possible" and that this would happen no later than the end of this year.

On January 1 1996, Telkom is required to transfer operations to the private companies operating the regional operations.

Under the memorandum signed in June, each regional operator is required to take on Telkom staff. Telkom is increasing the productivity of its 43,000 employees and has opted to reduce staff levels through voluntary early retirement.

Mr Setyanto said Rp300bn had been put aside for an early retirement plan for this year, and that about 4,000 employees were expected to take up the offer. The aim was to increase productivity from 64 lines per employee to 225 lines by 2001.

"We want to be one of the world class operators and by 2001 we should achieve that level," Mr Setyanto said.

Former Cummins chief to lead demerged AT&T

By Tony Jackson in New York

AT&T, the US telephone group which last month announced it was demerging its telephone equipment business, has appointed as its chairman and chief executive Mr Henry Schacht, 60, former head of Cummins Engine Company.

The speedy appointment of Mr Schacht, who has been an outside director of AT&T since 1981, is seen as a means of highlighting the separation of the equipment and telephone service sides of the company.

One reason given for the break-up was the growing reluctance of other telephone companies to be supplied with equipment by AT&T as a rival in telephone services.

AT&T also welcomed yesterday's news that the US Federal Communications Commission had ruled that it no longer had "dominant carrier" status in the US market.

This gives the company greater flexibility to compete, for instance by removing the requirement to give lengthy prior notice of price changes.

The ruling, which was expected, reflects the opening up of competition in US long-distance and local telephone markets under legislation now being finalised in Congress.

Mr Schacht, who is also on the board of CBS, Chase Manhattan and Alcoa, will take up his post in the first half of next year, when the new company plans a public offering of around 15 per cent of its equity. He will also resign from the AT&T board.

Mr Robert Allen, chairman of AT&T, said the name and location of the new company had yet to be decided.

He said: "If we're going to have a complete separation by the start of 1997, as scheduled, we have to do much of the work in the next four months.

"We have said to our people that by January at the latest, we'll tell them which company they'll be working for at the time of the separation."

Mr Alex Mandl, presently chief executive of AT&T's communications services business, will be second in command to Mr Allen in the new AT&T telephone services business.

Henry Schacht: speedy appointment to highlight break-up

While Mr Allen will be chairman and chief executive, Mr Mandl, 51, will be president and chief operating officer. Mr Richard McGinn, presently chief executive of the equipment business, will serve as president and chief operating officer of the equipment company under Mr Schacht.

As expected, the computer division, which is to be spun off to shareholders, will have as its chairman and chief executive its present head Mr Lars Nyberg.

Kidder acquisition pays off for PaineWebber

By Maggie Urry in New York

PaineWebber's acquisition of Kidder Peabody late last year began to pay off in the third quarter, with earnings at a record level.

Net income at the US investment bank rose from $20.3m to $78.2m. Earnings per share increased at a slower pace – reflecting the dilutive effect of shares issued in connection with the Kidder takeover – from 26 cents to 67 cents, fully-diluted.

Mr Donald Marron, chairman and chief executive, said the group was reaping productivity gains from the acquisition of Kidder.

However, he said: "While we are pleased with these results, we will continue aggressively to manage the cost structure further to improve profitability now and in 1996." Contradicting suggestions that the group was up for sale, he stressed that it would remain independent.

Since the first quarter of this year, when the group announced job cuts, the number of employees has fallen by more than 300 to 16,025, and the investment executives by nearly 200 to 6,050.

Mr Marron said non-compensation expenses fell $8m between the second and third quarters. A further $100m of cost savings are being sought over the next six months to a year, he said.

The Kidder deal had accelerated PaineWebber's strategy by giving it the size it wanted, Mr Marron added.

The return on equity in the third quarter jumped to 19.6 per cent from 6.7 per cent in the same period last year, and from 7.2 per cent in the second quarter this year.

The pre-tax margin more than doubled from 5.7 per cent in the comparable period and from 6.6 per cent in the second quarter, to 12.8 per cent.

For the first nine months, net income rose from $85.1m to $148m, before a $126m after-tax charge for 1995, included in the second-quarter numbers. Fully-diluted earnings per share rose from $1.09 to $1.21, before the charge. After the charge, they were nil.

US paper makers up sharply for third term

By Tony Jackson

Georgia-Pacific and Boise Cascade, two leading US paper producers, underlined the continued strength of the paper cycle with sharply higher earnings for the third quarter. Both groups topped the previous record, set the quarter before.

Georgia-Pacific's operating profits from paper were up 476 per cent from a year ago, at $478m, on sales up 36 per cent at $1.8bn.

The company said: "While our pulp and paper business is slowing from the unprecedented and unsustainable activity experienced earlier this year, demand is still good and prices are still strong."

Boise Cascade's operating profits from paper were $164m, compared with $2.3m. This was in spite of a slowdown in response to a modest slackening in demand, the company said.

Georgia-Pacific's building products division saw a 16 per cent drop in profits, to $221m, on sales 2 per cent lower. The company said the division had improved significantly during the quarter.

Group earnings were up 272 per cent at $324m, while earnings per share were $3.57 compared with $0.98.

Boise Cascade's building products also improved from the low point earlier in the year, with operating profits of $30m against $34m the year before.

Group earnings were $118m against a loss of $32m, and earnings per share, $1.83 against a loss of $1.19.

Boise Cascade Office Products, which went public through an IPO in April, reported net income of $12.5m, or 41 cents a share, compared with $7.4m, or 24 cents.

Moore Corp steps up bid for Wallace

By Bernard Simon in Toronto

Moore Corporation, the Toronto-based information services group, has stepped up its hostile bid for Wallace Computer Services from US$56 to $60 a share, valuing the Chicago company at $1.38bn.

Moore has also raised the stakes in the two-month takeover battle by warning it will abandon its pursuit of Wallace unless "a significant percentage" of shares is tendered by November 3.

Market reaction yesterday suggested investors were not expecting a better offer.

Wallace shares bounced up $2.38 in early trading on the New York Stock Exchange. However, at $59, they remained below the new bid. The shares were trading in the low $40s immediately before Moore's initial bid at the end of July.

Wallace's shares are widely held. Arbitrageurs seeking a quick profit are estimated to have scooped up between a quarter and a third of the stock.

One New York trader predicted yesterday that at least 50 per cent of Wallace's shares would be tendered to the new offer, unless a rival bidder appears. "This will finally push Wallace into something," he said.

Wallace has so far resisted Moore's advances on the grounds that its shareholders would be best served if the company remained independent.

Wallace has a reputation for a more entrepreneurial and innovative culture than Moore, which is about four times bigger.

Nevertheless, Wallace's financial advisers are said to have sought a white knight in Europe and Japan. However, no rival bid has yet materialised.

A "poison pill" currently prevents Moore from buying any Wallace shares that are tendered to its offer.

However, barring a green light from Wallace's board, the Canadian company plans to use the shares to launch a proxy fight at Wallace's annual meeting, scheduled for December 8.

Mr Reto Braun, Moore's chief executive, said in a letter to Wallace shareholders that Moore needed their support "to bring the Wallace board to the table".

Write-down drags Alcan into deficit

By Robert Gibbens in Montreal

Alcan Aluminium more than doubled third-quarter net income, to US$143m, or 61 cents a share, from $66m, or 27 cents, a year earlier. The Canadian group saw its quarterly revenues edge ahead to $2.3bn from $2.2bn.

The latest quarter, however, showed a loss of $137m, or 63 cents a share, after a $280m write-down of the Kemano II Hydro project in British Columbia.

Three of Alcan's Quebec smelters, with annual capacity of nearly 500,000 tonnes, have been shut down by a week-old strike. However, a return to work is expected soon, after a key union meeting voted 52 per cent in favour of the company's 12.6 per cent pay offer.

Third-quarter results before the special charge were below most analysts' estimates. Mr Jacques Bougie, president, said they reflected economic uncertainties in North America and Europe and a rundown in customer inventories.

"The rate of decline in LME inventories has slowed, resulting in lower ingot prices," he said. But fabricated products prices have held up well.

Total fabricated product volumes were down 7 per cent from a year earlier and 10 per cent from the second quarter, reflecting seasonal weakness and softer business conditions in North America and Europe.

North America, Latin America, Europe and Asia Pacific contributed good gains, while Australian Alumina improved and Nippon Light Metal in Japan reduced its losses.

Nine-month net profit was $497m, or $2.13 a share, up from $48m, or 15 cents, a year earlier, on revenues of $7.2bn, against $6.1bn. After the special charge, the 1995 period showed net profit of $217m, or 89 cents a share.

Most of the improvement came from North America and Europe, but Latin America and Asia Pacific also improved.

Alcan has pre-paid $125m debentures due 1996; at September 30 its debt-equity ratio was 32:68 after the Kemano write-down.

Blockbuster combines music and video

Blockbuster Entertainment is combining its worldwide music and video operations into a single entity, and two top executives are leaving, Reuter reports from Fort Lauderdale, Florida.

The US entertainments group said Mr Gerald Geddis would become president, worldwide operations, and would be responsible for domestic and international video and music operations.

In the newly-created post, Mr Geddis will continue reporting to Mr Steven Berrard, Blockbuster Entertainment Group chief executive.

Mr Berrard said: "Our plans to continue our rapid growth in the US and in international markets can be more readily achieved by leveraging the strengths these operations share on a global basis."

Blockbuster, part of Viacom of the US, said Mr Gerald Weber, former president of Blockbuster Music, and Mr Ramon Martin-Busutil, former president of Blockbuster International, were leaving to pursue new business opportunities. Mr Martin-Busutil will continue to advise the company on international operations and expansion opportunities.

Mr Scott Barrett has been named president, domestic video, and Mr Jerry Comstock has been named president, Blockbuster music. Both will report to Mr Geddis.

● Times Mirror Magazines plans to cut about 125 jobs in an effort to reduce costs and boost magazine profitability, Reuter reports from New York.

The jobs will primarily go from corporate overhead departments.

The company said the move effectively decentralised some business functions and gave each magazine greater decision-making power to better serve their readers.

As part of the restructuring, the multimedia group will support only current on-line and new media projects. Television production will end.

Each magazine will pursue its own television and multimedia projects.

Chapter 11 revamp at O&Y

Olympia and York Cos (USA) has begun voluntary Chapter 11 cases for certain O&Y (USA) entities, AP-DJ reports from New York.

The company said the move was part of its plan to restructure its real estate business around 10 core properties.

The plan is sponsored by Battery Park Holdings, which is an affiliate of Carena US Bancorp, a unit of Carena Developments; Canadian Imperial Bank of Commerce; Citibank; and an affiliate of international investor Li Ka Shing.

AMERICAS NEWS DIGEST

Ford dividend rise surprises Wall St

Ford Motor, the second largest US automotive group, has increased its quarterly dividend on its common and Class B shares by 13 per cent to 35 cents a share.

The fourth-quarter dividend is payable on December 1 to stockholders of record on November 1. Ford's third-quarter dividend was 31 cents.

"This is the fourth dividend increase since the first quarter of last year," Mr Alex Trotman, chairman and chief executive officer, said.

The increase comes in spite of Wall Street expectations of a steep drop in Ford's third-quarter earnings. Analysts estimate it earned $362m, or 27 cents a share, in the third quarter. A year earlier, Ford earned $1.12bn, or 93 cents a share. The results will be affected by heavy product launch costs for the new Taurus and Sable, higher incentives, production cutbacks, currency losses and a slower economy in Europe, analysts say.

Reuter, Dearborn, Michigan

Acclaim Entertainment expands

Acclaim Entertainment, a US home video entertainment and publishing concern, is to acquire Probe Entertainment of the UK and Sculptured Software of the US, both independent entertainment software developers.

Combined, the acquisitions bring about 250 programmers, musicians, graphic artists and engineers to Acclaim. Acclaim currently has about 550 employees worldwide.

It will account for both transactions as a pooling of interests. Further financial details have not been disclosed.

Acclaim said London-based Probe had developed more than 400 software products, including such best-sellers as Fifa Soccer, Mortal Kombat, Mortal Kombat II, and Primal Rage.

Sculptured Software, with its headquarters in Salt Lake City, Utah, has created hit titles for Nintendo, Sega, Sony and PC CD-Rom systems. These include WWF WrestleMania and NCAA Basketball.

AP-DJ, New York

Weak gas prices hit Burlington

Burlington Resources, the US oil and gas group, suffered a third-quarter loss of $299.6m, compared with a profit of $20.7m, or 16 cents a share, last time. The group was hit by falls in natural gas prices.

The latest figures include a non-cash charge of $304m for a change in accounting for impairment of oil and gas assets. Excluding the charge, the company recorded net income of $4m, or 3 cents a share. Revenues for the period were $210.2m, compared with $273.3m.

Houston-based Burlington said operating income fell to $1m in the third quarter from $39m a year earlier. The natural gas concern attributed the decline to weak natural gas prices, particularly in California.

Natural gas prices fell 26 per cent to an average $1.16 per 1,000 cu ft in the latest third quarter from $1.57 per 1,000 cu ft a year earlier, the company said. In addition, crude oil prices fell to an average $16.68 a barrel from $16.98 a barrel a year ago.

Reuter, Houston

Record sales at Levis Strauss

Levi Strauss Associates, the US jeans manufacturer, lifted earnings to $188.2m on revenues of $1.74bn for the third quarter, from $140.9m on revenues of $1.59bn a year ago. It attributed the increase to record net sales, favourable foreign currency deals, and higher investment interest income.

For the first nine months of 1995, the company reported net income of $458.3m, an increase of $331.8m over the year-ago period. The 1995 nine months included gains for certain accounting changes. Excluding the gains, year-to-date net income was up 26 per cent, the company said.

Sales for the first nine months of 1995 were $4.8bn, up 11 per cent over the previous year. Higher marketing, general and administrative costs partially offset income gains, the company said.

Third-quarter sales in the US rose 7 per cent from a year ago, to $1.1bn, while overseas sales grew 14 per cent, to $635.6m. Third-quarter operating income was $301.3m, against $268m in the year-ago period.

Reuter, San Francisco

Apple restructures businesses

Apple Computer has formed a new North America division comprised of the Apple USA and Apple Canada subsidiaries.

The unit will be headed by former president of Apple USA Mr James Buckley. Apple Canada president Mr Peter Jones will report to Mr Buckley. The US computer company said the move was aimed at leveraging market resources across the US and Canada regions.

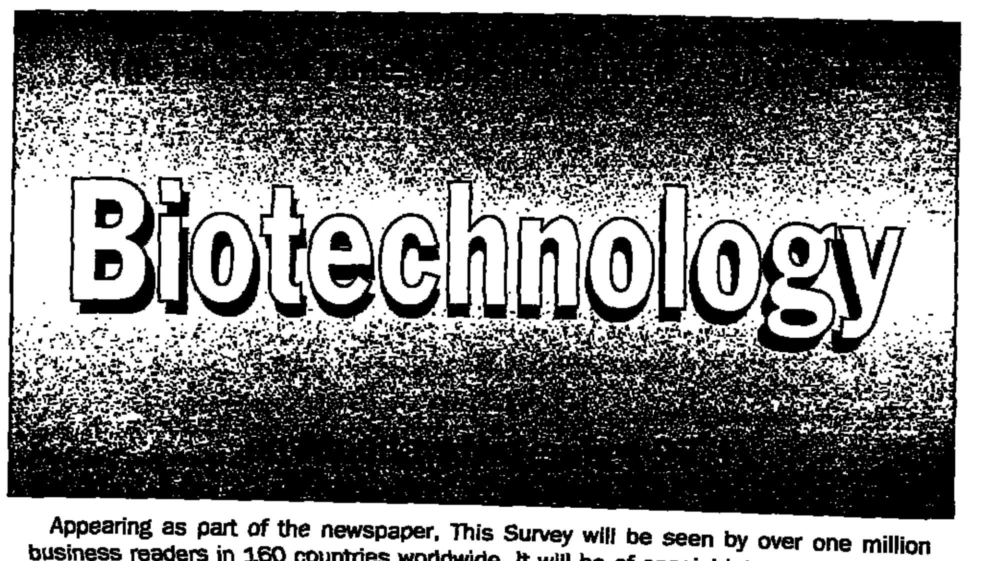
Apple Canada was previously part of the Apple Pacific region. It will continue to operate as a separate subsidiary of Apple Computer.

Reuter, Cupertino, California

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 13.10.95: Pool purchase price £/MWh	Final Prices for Trading on 13.09.95: Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.98	12.49	14.50
0100	8.98	12.49	14.50
0130	8.93	12.49	14.50
0200	8.93	12.49	14.50
0230	8.92	12.49	14.50
0300	8.92	12.49	14.50
0330	8.92	12.49	14.50
0400	8.92	12.49	14.50
0430	8.92	12.49	14.50
0500	8.91	12.49	14.50
0530	8.10	8.98	10.98
0600	8.12	8.98	10.98
0630	9.02	8.98	10.98
0700	15.74	18.06	18.06
0730	16.83	18.34	18.36
0800	17.83	17.21	18.29
0830	34.44	17.53	18.70
0900	34.45	20.26	22.63
0930	19.03	20.96	23.60
1000	19.03	38.36	39.01
1030	17.84	38.39	39.04
1100	17.83	21.50	24.18
1130	17.83	44.15	46.93
1200	17.83	44.41	47.24
1230	17.82	43.94	46.65
1300	16.92	43.01	45.46
1330	16.92	18.64	20.87
1400	16.71	18.32	21.43
1430	16.63	18.03	20.08
1500	16.63	17.98	20.01
1530	16.18	17.94	19.98
1600	16.18	16.38	18.40
1630	16.16	20.01	22.06
1700	19.14	32.00	34.07
1730	34.40	32.71	34.78
1800	34.40	31.89	33.93
1830	19.18	19.88	21.91
1900	25.28	16.33	18.34
1930	25.29	19.91	21.94
2000	24.07	19.98	21.99
2030	17.78	32.59	34.62
2100	17.78	31.83	33.85
2130	17.78	19.70	21.71
2200	17.78	19.69	21.70
2230	15.87	19.68	21.69
2300	14.78	12.97	14.97
2330	8.94	16.06	18.06
2400	9.05	12.75	14.75

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8:30am and 5:15pm Monday to Friday.
©Energy Settlements and Information Services Limited



COMPANY NEWS: UK

SelecTV in talks as C5 bid in final stages

By Raymond Snoddy

SelecTV, the independent programme producer, said yesterday it had received a number of approaches and was "in discussions which may or may not lead to an offer for the shares in the company."

The statement, which followed a rise in SelecTV's share price, which yesterday added 6½p to 32½p, comes at a particularly sensitive moment for the producer, which is a key member of the UKTV consortium bidding for Channel 5.

The Independent Television Commission, the regulatory body for commercial broadcasting, is in the final stages of choosing between four bidders for the new television channel capable of reaching three quarters of the UK population.

UKTV, a consortium led by CanWest, the Canadian-based international broadcaster, submitted the highest bid of £36.3m a year and looks as if it is likely to clear the basic quality hurdles. If this is confirmed it can only be beaten if the ITC decides another contender is offering "exceptional quality."

Mr Allan McKeown, chairman of SelecTV, said yesterday: "All this [interest] comes about because of the perception of C5."

Allan McKeown: convinced UKTV is going to win bidding for C5

Mr McKeown is convinced UKTV is going to win and that other companies are now looking for a slice of the consortium.

Two of the names being mentioned last night – Pearson, owner of the Financial Times and of Thames Television and Associated Newspapers, publisher of the Daily Mail and already a minority shareholder in SelecTV – are in rival bids for Channel 5.

Flextech, the media group controlled by TCI, the largest US cable group, has also expressed an interest but is unlikely to be a serious bidder.

Pearson's interest is believed to be entirely in SelecTV's programme library and production capacity. The company would probably only proceed if UKTV lost the Channel 5 licence.

Mr McKeown accepts that he may have to sell the company he founded. "It is becoming apparent that this [programme production] is a big boy's game."

This year SelecTV, which has a valuable stake in Meridian Broadcasting, the ITV company, launched a UK cable television channel.

Lep sells last two operating activities

By Christopher Price

Lep Group, the debt-laden freight forwarding and security company which is being wound up, is selling its two remaining operating assets.

NFC, the transport group which has been through a series of management upheavals because of disappointing financial results, is buying Lep International, the freight forwarding subsidiary, for an undisclosed sum.

Analysts expressed surprise that the acquisition had come so soon after the appointment of Mr Gerry Murphy, who was brought in as chief executive of NFC in June.

Lep is also selling The National Guardian Corporation, its US security services company, to Ameritech Monitoring Services. It made a preliminary announcement in August.

Full details will be given after due diligence had been conducted on Lep International, probably in December.

Mr David James, brought in to oversee a restructuring of Lep "was not optimistic" of any return for shareholders.

Dobson faces manufacturing threat

By Tim Burt

Harnischfeger Industries, the US mining equipment group bidding for Dobson Park Industries, yesterday warned its UK rival that it would set up manufacturing operations in direct competition should its hostile takeover fail.

The Milwaukee-based manufacturer – which wants to integrate Longwall International, Dobson Park's mining subsidiary, with its own coal face equipment manufacturer, Joy Mining Machinery – said it would invest heavily to challenge the UK group's dominance in making roof supports and conveyors.

"We still want to buy Longwall. But if not, the next best alternative would be to make the equipment ourselves," said Mr Jeff Grade, Harnischfeger's chairman and chief executive.

The two manufacturers produce complementary equipment.

Mr Adrian Buckmaster, chief executive of Dobson Park, questioned Harnischfeger's ability to develop a rival to Longwall and predicted it could only win business by offering cut price equipment.

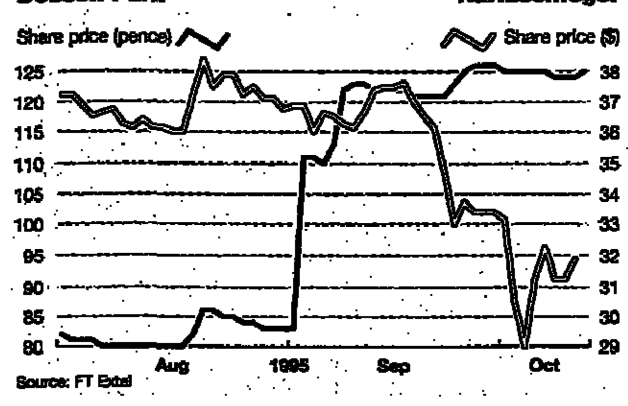
Dobson Park has rejected Harnischfeger's 110p-a-share offer, claiming it undervalued Longwall's export potential.

Mr Grade, however, emphasised that Harnischfeger would not overpay.

Yet the offer was described as only a "sighting shot" by one City analyst, who predicted it could have to bid more than 130p to win control.

Fears in the US that Harnischfeger would be forced to increase its offer have hit its share price, which has fallen from $36.25 on September 8, when it launched the bid, to $31.88 (£20.50) yesterday. Dobson Park's shares gained 1p to 125p.

The UK company has a week to bring out new financial information relevant to the bid. It is expected to announce profits of at least £13m (£10.5m) for the year to October 1, after a significantly improved contribution from Longwall.



RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Billam	6 mths to June 30	3.49	(3.08)	0.098L	(0.034)	4.5L	(1.4)	2.2	Nov 10	2.2	-	5.3
Brown (N)	6 mths to Aug 26	106.9	(98.4)	12.6	(10.9)	5.87	(5.06)	1.6	Jan 4	1.35	-	4.8
David Brown	6 mths to July 28	66.6	(59.7)	6.57	(5.69)	7.4†	(8.7)	2.4†	Nov 21	2.25	-	6.9
Eleco	Yr to June 30	29.8	(52.6)	0.3♠	(6.31L♠)	0.7	(21.6L)	nil	-	nil	nil	nil
Etam	28 wks to Aug 12	106.7	(113.4)	3.85L	(4.74♠)	6.12L	(4.28)	0.5	Jan 3	1.95	-	7.7
Lionheart	6 mths to June 30	18.7	(19.9)	6.68L♠	(0.841L♠)	2.4L	(0.51L)	nil	-	nil	nil	nil
Maunders (John)	Yr to June 30	76	(66.1)	7.03	(6.21)	18.84	(16.69)	3.25	Nov 30	3.05	5.7	5.5
Queensborough §	6 mths to July 31	1.59	(1.26)	0.035	(0.05)	nil	(0.007)	-	-	-	-	-
Time Products	6 mths to July 31	38.6	(37.2)	5.54	(4.69)	7.02	(5.85)	3.5	Jan 5	3.25	-	9
Tudor	6 mths to June 30	8.43	(9.05)	0.111	(0.039)	1.01	(0.36)	0.25	Dec 15	nil	-	0.5
United Energy §	*6 mths to June 30*	*1.78*	*(1.25)*	*0.035*	*(0.193L)*	*0.1*	*(0.6L)*	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
MG Latin American	6 mths to Aug 31	75.5	(111.2)	0.235	(0.238)	0.37	(0.37)	-	-	-	-	-

Dividends shown net. Earnings shown basic. Figures in brackets are for corresponding period. †On increased capital. ♠After exceptional charge. §USM stock.

Etam in £3.9m loss after reorganisation

By David Blackwell

Etam yesterday slashed its interim dividend by almost three quarters as it plunged £3.85m ($6m) into the red.

The fashion retail chain also announced the resignations of Mr Rodney East, group managing director for 16 years, and two other directors.

A 14p fall left the shares at 153p – half the level of a year ago. The operating loss of £660,000 (£5.52m profits) was exacerbated by almost £3m of reorganisation costs.

Analysts yesterday were cutting forecasts for the full year to between £2m and £5m before exceptionals. One described the results, although well flagged, as "atrocious".

They suggested most of the problems could be put down to its merchandise, which had been wrong for two years.

Etam's key market is 15 to 35-year-old women in the lower income brackets. Mr East said in April that in the drive to become more modern, the chain had made the mistake last autumn of offering a restricted range in terms of colour, style and quantity.

The departure of Mr East, while understood to be amicable, is seen as a final victory for Oceana Investment which failed in a hostile 185p a share bid in 1991. Oceana, a vehicle for the South African Lewis family, still has a 37 per cent stake. Mr Keith Miles, finance director, and Mr John Maynard, group buying director, also resigned.

David Brown looks to Asia Pacific

By Andrew Baxter

David Brown Group yesterday announced a new management structure based around three core activities – industrial gears, mobile equipment drives and pumps – and a new Asia Pacific division.

The shake-up is the first fundamental rethink since the present organisation was created after a buy-in in 1990 and follows the acquisition earlier this year of four gear manufacturing businesses from the David Brown family.

The Huddersfield-based group also reported a 15 per cent rise in pre-tax profits from £5.69m to £6.57m ($10m) for the six months ended July 28. Turnover rose 19 per cent from £59.7m to £71m, including £4.4m from acquisitions.

In the Asia Pacific region the group aims to recreate its structure with a network of sales organisations and, ultimately, manufacturing.

Mr John Madge, a senior executive, has been appointed divisional director with a brief to expand sales in the region – where the group already claims a stronger presence than its European or US rivals.

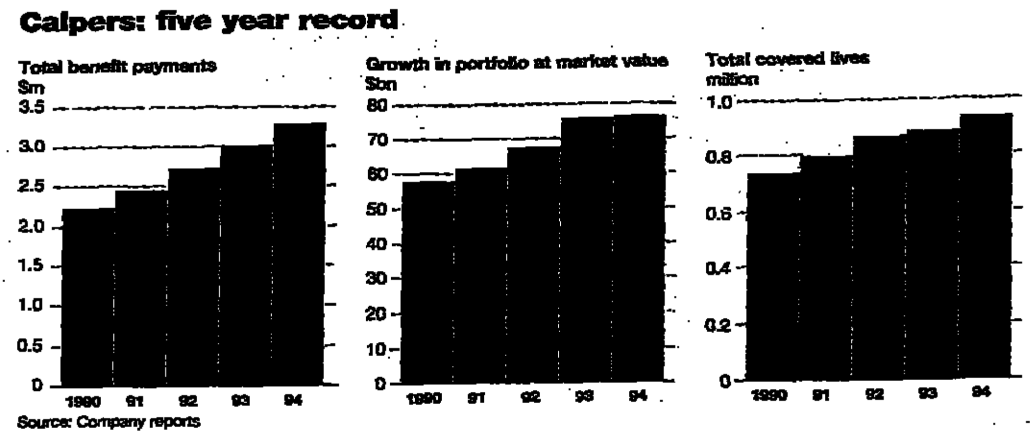
The area accounted for 14 per cent of turnover in the first half, and this would rise to 18 per cent by the end of this year, said Mr Christopher Cook, who is the other chief executive.

The company noted that activity in its largest business, vehicle transmissions, was particularly buoyant in Asia. Hyundai, the South Korean industrial conglomerate, has chosen David Brown to provide the steering-braking drive axles for its new range of bulldozers, and the UK group is also to supply final drive units to another Asian manufacturer for a new armoured personnel carrier.

COMPANY NEWS: UK

Calpers reassures City over tactics

By William Lewis



William Crist President

Calpers, the largest and one of the most aggressive public pension funds in the US, this week delivered a reassuring message to investors and companies in London: don't worry, we have left our guns at home.

Several European fund managers admit they shuddered earlier this year when Calpers – known and feared for its corporate governance crusade in the US – announced it was increasing its exposure to non-US equities from approximately 12 to 20 per cent of its $91bn (£59bn) portfolio.

While welcoming the increase in Calpers' investment in Europe and Japan, fund managers and executives at public companies expressed concern that it would also mean having to endure the pension fund's hard nosed tactics.

But Mr William Crist, president of Calpers' board of administration, told UK investors this week that such concerns were misplaced.

"There will be no straight export of what we do in the US to Europe," he said. "We have to be let into the club and that means talking and learning from the people here how you do things".

Calpers (California Public Employees' Retirement System), the third largest public pension fund in the world, has already delivered the same message at road shows in Japan and Germany and is this week repeating it at meetings in Paris.

Mr Crist says the final decision on what the fund's tactics should be in each separate market will not be taken by the board until next year, "but what could be an effective tactic in one country could be a disaster in another".

Leading fund managers said they were relieved to hear Calpers' "thoughtful approach".

Mr Richard Regan, head of investment affairs at the Association of British Insurers, who met with Mr Crist earlier this week, said: "We welcome the clear indication by Calpers that they acknowledge the effectiveness of the UK corporate governance process and system. They have said they want to share in that process and that is to be welcomed".

The "softer and gentler" approach described by Mr Crist would represent a significant change from the strategy Calpers has employed in the US in recent years.

Since 1984 in the US Calpers has specialised in targeting underperforming US public companies and demanding changes in their corporate governance practices.

Mr Crist says that each year Calpers identifies a small group of "target companies" after examining their relative performance over the previous five years.

This year the fund has identified nine US companies where it is seeking changes to their corporate governance structures.

"Some people call it the black list but it should be called the 'good list' because the performance of these companies improves after being targeted," according to Mr Crist.

The nine companies will be named only after Calpers has finished applying pressure privately.

According to Mr Crist, the fund can then "utilise shareholder rights to further the board's goal of improving stock performance".

Calpers describes its strategy as "seeking to identify corporations in which we are invested that are underperforming because of systemic problems in their governance structure".

In particular, Calpers has sought to change companies' remuneration structures and bolster the number of independent directors sitting on board committees.

Calpers claims independent studies have shown that its aggressive tactics have enhanced investment returns.

Last year, for example, a study of 42 companies targetted by Calpers between 1987 and 1992 found that shares in the companies involved had lagged the Standard & Poor 500 index by 66 per cent in the five years before Calpers acted.

In the following five years, they outperformed the index by more than 40 per cent, according to the study, compiled by Wilshire Associates, the US pensions consultants.

That record has led scepticism among some UK fund managers over Calpers' claims that it will adopt a softer approach in Europe.

"If having all guns blazing in the US has been so successful, then do we really believe that they aren't going to try it here?" one fund manager said.

Mr Crist hints that Calpers may start in "first gear but move up to fifth gear later", but says that a less confrontational approach would mirror the tactics it now uses in the US.

"In the beginning CEOs would not return our calls so we had to get tough in public," he said. "But [now] nearly all do, so we can act more behind the scenes".

Nevertheless, he refuses to rule out a European-style target list and said: "We are not going off half cocked here. We are on a learning mission."

Volume and luxury sales lift Time Products to £5.5m

By David Blackwell

A strong performance from both volume and luxury watches, including the sale of one piece for more than £1m, lifted interim profits at Time Products by 18 per cent. Pre-tax profits for the six months to July 31 rose from £4.69m to £5.54m ($8.6m).

The luxury products distribution group is still building what Mr Marcus Margulies, chairman, hopes will be the best watch made since the second world war. It will have 11 hands and movements on both sides, and is also expected to sell for more than £1m.

However, the group is concentrating its efforts on widening the Judith Leiber brand, which made only handbags when acquired more than two years ago. A range of costume jewellery was launched last month, selling in the US at between $250 and $1,250.

Luxury watches, which account for 45 per cent of sales, performed well except in Switzerland, where the market was depressed by a strong Swiss franc. The group holds agencies for seven luxury watchmakers, including Blancpain and Vacheron Constantin.

Eleco sees stronger year in Germany and S Africa

Eleco Holdings, which has restructured its activities over the past two years and now concentrates on cable management systems and structural products, reported pre-tax profits of £300,000 ($465,000) for the year to June 30. Last time there were losses of £6.31m.

Turnover amounted to £29.8m (£52.6m), including £3.46m (£25.8m) from discontinued operations and the pre-tax result was after exceptional losses of £754,000 (£4.38m) relating to the sale or closure of those activities. The company has withdrawn from housing development and contracting and has reduced its property investment interests.

The current year had started in line with budget, the company said, with indications of a stronger performance in Germany and South Africa.

Earnings per share came through at 0.7p, compared with losses of 21.6p.

NatWest Bancorp income rises 38%

National Westminster Bancorp raised third quarter pre-tax income by 38 per cent from $86.6m to $119.7m making $337.2m for the first nine months of 1995, against $239.7m previously – a 41 per cent increase.

Net interest income was $258.4m ($230.6m) in the third quarter, making a nine months figure of $787.2m ($687.5m).

The acquisitions of Citizens First Bancorp and Central Jersey Bancorp and growth in the consumer loan portfolio contributed to the increase.

Signet loan

Signet Group has borrowed $190m, backed by credit card payments due to Sterling, its US subsidiary.

The five-year loan is the first voluntary refinancing by the group since it entered into its facilities standstill agreement in January 1992.

The funds will replace Sterling's similar $90m loan and repay $100m of other loans, and should result in a lower interest charge.

Creos

Creos International, the developer and manufacturer of high voltage generators for medical imaging is coming to the Alternative Investment Market through a placing which will raise £4.05m ($6.3m) net and value the company at £23.4m.

Some 6.69m shares – 18.6 per cent of the enlarged equity – will be placed at 65p.

FT-SE Mid 250

The FT-SE Actuaries UK Indices Committee yesterday said that since the offer by Scottish Power for Manweb had been declared unconditional, Manweb would be replaced by Celltech Group in the FT-SE Mid 250 after close of business yesterday. Celltech Group would also become a constituent of the FT-SE Actuaries 350 Lower Yield Index.

RECRUITMENT

JOBS: Richard Donkin on why demand for executives is increasing

Reality shrouded in myth

The University of Warwick has produced research which reveals that in the UK at least, not only were the number of managers and administrators expected to rise towards the millennium, but their numbers increased substantially during the 1980s. This was in spite of the trend towards flatter corporate structures.

The findings may surprise those who have either witnessed or suffered as a result of large-scale managerial clear-outs during restructuring and delayering programmes.

According to the study, published by the university's Institute for Employment Research, about 1m extra jobs in corporate management and administration were created during the period from 1981 to 1991. The report projects the creation of about 630,000 additional managerial posts by 2001, with women taking the lion's share.

Robert Wilson, the institute's principal research fellow, says that the figures destroy what he calls the myth of declining managerial numbers – a myth prompted by the publicity given to high profile corporate restructuring programmes.

He says: "We tend to get more information in the media about major redundancies and this produces a biased view. When you look at the numbers of people classified as managers, you get a very different picture."

Much of the attention, he says, has been focused upon declining manufacturing industries, whereas management has been expanding in many service sectors and areas such as health and education, which have absorbed increasing managerial responsibilities.

Some of the increase might be explained by the change of certain roles, such as that of secretary into the category of administrator, but that would only partly explain the trend. Wilson says: "I don't think there is any question that the numbers of managers are going to grow hand over fist."

● The table (right) is compiled from P-E International management consultancy's 1995 survey of executive salaries and benefits in the UK. Based on statistics current at July 1, it covers 6,500 executive jobs ranging from junior manager to chairman in 460 companies.

It was compiled too soon after the Greenbury report on executive pay to determine any resulting trend in the provision of executive share options. There are indications of marginal reductions in the number of executives with company cars, but nothing to suggest that cash alternatives are making a great impression.

The complete report, which also has data on salaries and bonuses, costs £400 and can be obtained from Karen Gallagher at the consultancy's address, Park House, Wick Road, Egham, Surrey TW20 OHW. Tel 01784 434411, fax 0784 476369.

PERCENTAGE OF EXECUTIVES AT EACH PAY-LEVEL HAVING EACH OF THE FOLLOWING BENEFITS:

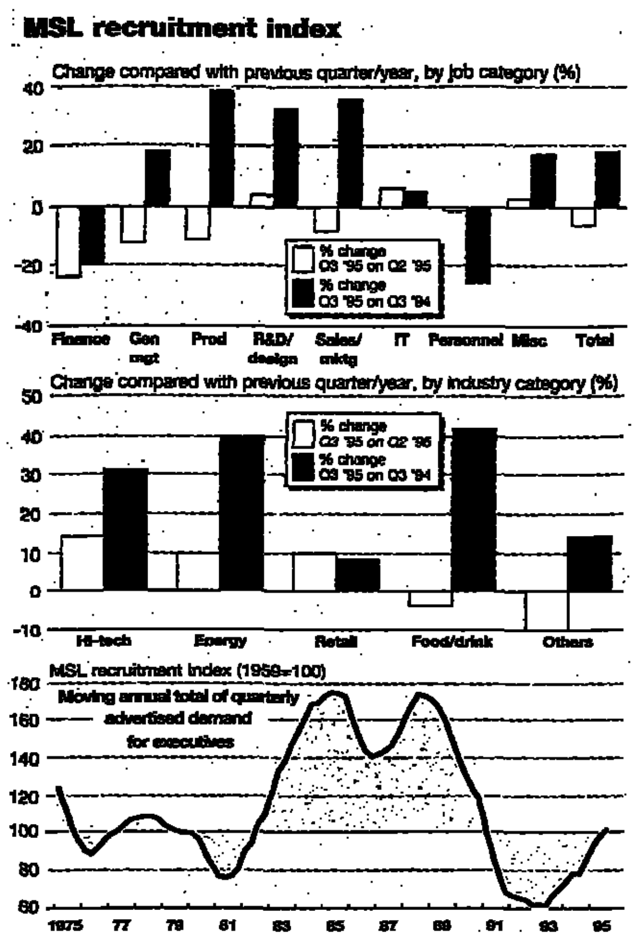
Salary band (£ a year)	Full use of company car %	Avge list price of car £	Free fuel %	Help with house-buying %	At least 6 weeks holiday %	Enhanced pension %	Free medical insurance %	Share-acquisition schemes: Exec. share option %	Save as you earn %	Profit sharing %	Telephone expense allowance %
20-25,000	47.0	13.734	23.9	1.8	1.3	4.9	58.7	5.7	12.2	16.2	19.7
25-30,000	68.2	14,649	33.6	3.7	1.2	7.3	60.4	8.1	18.7	13.5	23.7
30-35,000	81.1	15,740	40.1	5.4	1.6	7.8	69.4	10.2	22.2	13.2	22.5
35-40,000	89.4	17,259	50.6	5.7	2.3	15.8	75.4	20.5	31.9	15.1	32.4
40-45,000	90.8	18,721	55.8	4.9	7.0	20.8	77.9	30.1	32.1	11.8	37.1
45-50,000	93.1	19,978	61.1	5.9	7.2	33.2	79.8	34.8	34.8	13.6	44.8
50-60,000	95.5	21,945	74.6	7.8	11.0	37.3	88.8	45.9	48.7	18.8	51.3
60-70,000	94.5	24,297	71.9	8.7	10.7	41.3	87.1	47.4	43.2	16.5	45.5
70-80,000	99.4	26,659	70.4	7.5	11.9	52.8	89.9	57.9	46.5	19.5	45.3
80-90,000	99.2	28,809	80.0	9.6	16.1	46.4	87.2	60.0	48.0	24.0	46.4
90-100,000	98.5	29,912	72.3	15.4	32.3	60.0	92.3	64.6	58.5	38.5	43.1
100-125,000	97.1	32,361	65.0	22.3	31.4	58.3	89.3	73.8	66.0	28.2	42.7
150,000+	99.0	40,367	75.0	24.0	36.8	67.7	87.5	86.5	77.1	41.7	41.7
All ranks 1995	75.8	-	46.1	5.9	5.8	19.7	71.3	23.9	29.0	16.5	30.5
All ranks 1991	74.6	-	41.8	6.5	1.2	13.2	74.2	21.3	28.9	16.8	-

● The latest quarterly index of advertised demand for senior executives, published by MSL International, the recruitment company, shows promising signs that the UK economy is achieving a steady sustained recovery.

Although recruitment activity fell slightly during the summer, the moving annual total which irons out seasonal fluctuations shows that recruitment advertising has been steadily increasing.

The index has proved a reliable economic weathervane, because increases and decreases in recruitment tend to reflect the optimism or pessimism of employers. Looking at job categories, it is apparent that the strongest area of recruitment is in production, followed by sales and marketing and research and development, areas that suggest strong manufacturing activity.

The year-on-year decreases in accounting (finance) and personnel might indicate that the concentration on retrenchment and downsizing forced by recession has begun to wane. All the industry categories show improvements on the year, with the most intensive recruitment in the food and drink, energy and high-technology sectors.



Derivatives Lawyer

Your brief: to establish a London centre of expertise within our global legal network

London

A portfolio of innovative products and services, matched by a presence in all the major financial centres, serves to maintain J.P. Morgan's reputation as one the world's premier banking and security firms.

As part of an overall expansion of our legal teams, we are seeking a high calibre lawyer with in-depth knowledge of over-the-counter derivatives to establish a centre of expertise in our London office.

Coming from either private practice or a leading derivatives dealer, you must be able to master complex derivative transactions, have a strong understanding of cross-border credit enhancement issues, and co-ordinate well with colleagues around the world. As a fully qualified Lawyer, you should have four or five years' experience specialising in the representation of clients on OTC derivatives transactions.

In addition to an excellent compensation package, benefits include a car allowance, mortgage subsidy, profit-sharing bonus scheme and an opportunity to develop an exceptional international career.

In the first instance please write, in the strictest confidence, indicating current and expected salary requirement to: Alastair Lyon, Associates in Advertising, Response Handling Service, 5 St John's Lane, London EC1M 4BH.
Please quote ref: 269.

JPMorgan

Risk Analyst – Derivatives
Mathematical Modelling

London ***Excellent Package***

This pre-eminent global securities organisation has developed its reputation through the creation, structuring and trading of derivative products and is a market leader in risk management.

An opportunity has arisen for a highly numerate individual with a commercial focus to join the market risk team who verify trading and evaluation tools/techniques. The team's growth is a direct response to the commitment of the organisation to the management of risk. Its effectiveness is dependent on a pragmatic approach and imaginative thinking.

The individual will be expected to contribute analytical and quantitative skills utilising advanced numerical techniques. Complex mathematical modelling, advanced spreadsheet analysis and programming in C will be required. There will be exposure to a broad range of derivative products and training of the highest standard will be available.

With a quantitative academic background, you will have one to two years experience in the front or back office of an active derivatives house. Alternatively a recent PhD/Masters graduate in Finance or Maths who can demonstrate a good knowledge of derivatives will be considered.

A young and innovative environment, this is an outstanding opportunity to join one of the leading players in the derivatives market. Career development prospects must be viewed as excellent. The remuneration package includes a competitive salary with full banking benefits.

Interested applicants please send a full résumé to Anthony Cook, Ref. 1976/02 at Morgan & Banks Plc, Brettenham House, Lancaster Place, London WC2E 7EN, fax 0171 240 1052 or, if you prefer, telephone 0171 240 1040.

Morgan & Banks
INTERNATIONAL

The Top Opportunities Section
For senior management positions.
For information call:
Joanne Gerrard
+44 0171 873 4153

Start-up Situation
Derivative Operations

City **to £50,000 + benefits**

In keeping with its reputation for excellence in the fixed income, treasury and equity markets, a leading European bank is seeking to underpin its expanding derivatives business by employing and developing professionals of the highest quality.

In the crucial area of trade support and operations, we are looking for a number of key individuals to play a central role in developing the teams and infrastructures needed to support the business. Reporting to the head of derivatives operations, you will be setting up and implementing efficient systems and processes, creating a control environment capable of withstanding growth and change.

You will be a young, progressive professional of graduate calibre. Probably working within a sophisticated derivatives operation, you may currently be responsible for a processing, confirmation, trade support or middle office function. Experienced in managing projects and change, you will possess the technical ability, initiative and imagination necessary to establish an operations group.

This opportunity represents a rare chance to participate in shaping the future of a powerful and expanding global institution.

Please write to Joe Thomas at BBM Selection, quoting reference 364, and enclose a full Curriculum Vitae that includes contact telephone numbers. All applications will be treated in the strictest confidence.

76, Watling Street,
London EC4M 9BJ

BBM SELECTION

Tel: 0171-248 3653
Fax: 0171-248 2814

ROSSIYSKIY KREDIT

one of the largest and fast growing private banks in Russia announces an open competition for top and medium level management positions

Who are we: Currently we are rating the 5th among the largest private Russian banks with a network of more than a hundred branches nationally and abroad.
Our external auditor is Arthur Andersen.

What we do: Our Bank is engaged in a wide range of financial and investment activities at both national and international levels.

What we offer: We offer a unique possibility to participate in activities of a dynamic and prospective financial institution in a young market economy.
Our staff have an excellent opportunity to work independently on innovative financial projects.
In a drive to continuously and even more rapidly expand our activities both in Russia and abroad, to widen the range of our financial services and to make our Bank even more competitive in the international financial market we announce an open competition for the vacancies in the Board of Directors, directors of departments, including:

top level managers experienced in the following fields:

- ☐ international banking;
- ☐ portfolio management
- ☐ branches managing
- ☐ financial and corporate law;
- ☐ personnel management

We also need position general project manager within 5 years international experience in the construction industry, duties included, responsibility for all construction sites, management administration of the office, coordination of the staff and reporting to the President.

medium level managers and advisers in the following fields:

- ☐ strategic planning;
- ☐ international financial law
- ☐ financial portfolio management
- ☐ personnel management
- ☐ auditing and accounting;
- ☐ international economic relations;
- ☐ investment project management;

Fluency in Russian is desirable.

And we guarantee:
-very attractive and flexible tax free remuneration, special bonuses and associated benefits that are fully commensurate with and even surpass those in the leading Western banks;
-excellent opportunities for career and professional growth especially for a young and ambitious specialist;
-full medical coverage;
-excellent living and working conditions;
-company car.

Don't miss your opportunity to grow with us!

Send resumes no later than November 30, 1995 to the following address:

121002, г. Москва
Смоленский бульвар, 26/9

26/9 Smolensky boulevard
Moscow 121002, Russia

For information in Russian call:
(095) 248-3861

For information in English call:
(095) 203-1263
(095) 291-4233

or fax your resumes to:
(095) 245-2657
(095) 203-1263

West Merchant Bank

EASTERN EUROPE

West Merchant Bank is one of the leading players in global emerging markets, and is the investment banking subsidiary of WestLB, one of Germany's foremost banking institutions. As part of their continued expansion into Eastern and Central Europe they wish to fill the following two positions for their London office.

LOCAL MARKETS ANALYST

- responsible for detailed analysis of companies and industrial sectors in the region
- working directly on the Trading Desk, formulating strategy, with opportunity to take on trading responsibilities
- minimum 2 years' experience in the Eastern European securities markets as an equity/credit analyst
- solid understanding of macro economic environment
- additional experience of the fixed income market will be favourably considered

ECONOMIST

- Post Graduate qualification in Economics or other related subject
- minimum 2 years' experience in producing macro economic research on Russia and Eastern Europe
- reporting to the Director of WMB's high profile research team
- providing strategic assistance and input for Trading and Sales Desks
- contributing to investment reviews and publications

Both positions require fluency in at least one Central/Eastern European language and excellent written and oral presentational skills. Highly competitive packages including bonus and full banking benefits are available for the successful candidates.

Please reply in confidence enclosing a full cv to
Ben Worsley at Morgan Hunt, 1 Connaught House, Mount Row, London W1Y 5DB
Tel 0171 409 3200 Fax on 0171 409 3500

Bankers Trust is a leading US Investment Bank and a premier risk manager. Since the late 80's, Edinburgh has been established as the European Headquarters of our Global Custody business, and has been experiencing rapid growth.

Global Custody Agent Bank Operations

Edinburgh

In order to maintain our high standards of service to our international client base, we are now regionalising the management of our agent bank network, and our office in Edinburgh will manage agents in Europe, Middle East and Africa.

As this growth continues we need experienced agent bank operations staff to join our team in Edinburgh. You will already have spent at least five years working within a global custodian or major broker, specialising in European or Global settlements. We are seeking people who have extensive experience of income processing, together with a good understanding of book keeping. If you can also bring to the role a knowledge of emerging markets, it would prove advantageous. You will be liaising regularly with people at all levels both internally and externally, and therefore, you will need to have excellent written and oral communication skills. A good working knowledge of PCs would also be ideal.

This is an excellent opportunity for someone looking to develop their career in this area. In return, we offer an excellent package, including banking benefits, as well as relocation expenses where applicable.

To apply, please write with full career details and current salary to, **Alan W Skinner, Managing Director, Bankers Trust Company, World Markets House, Crewe Toll, Edinburgh EH4 2PY.**

Bankers Trust

TOTALLY COMMITTED TO SERVICE EXCELLENCE.

Quantitative Analyst - Swaps & Options

- Leading US Securities Firm - Capital Markets.
- Position: developing mathematical models to evaluate derivative products.
- Requirements: quantitative degree and high level of computer literacy. Ideally some finance experience.

Applications to Box A5838, Financial Times, One Southwark Bridge, London SE1 9BL

GRADUATES For the City

Applications invited from exceptional graduates for 5 positions in accelerated career programme with private firm.

Contact: Mark Martin or John Kilburn-Toppin on 0171 240 4942

Scottish Value Management

SVM

Investment Managers

UK & European Equities

Negotiable Packages **Edinburgh**

Superb opportunities for experienced investment professionals. Share in the growth of an emerging fund management group with impressive performance record.

THE COMPANY
- Scottish Value Management specialises in providing investment management services for investors using value management methods.
- Growing funds under management reflect its strong track record.
- Client funds exceeding £250m include investment trusts, pension funds and offshore funds.

THE POSITIONS
- Work within highly rated team, identifying undervalued shares by fundamental analysis and managing funds.
- Report to clients on investment strategy. Assist with marketing worldwide for new client accounts.

QUALIFICATIONS
- Talented graduates with previous investment experience either as analysts or fund managers.
- Knowledge of UK or European equities preferred.
- Rigorous analytical skills and highly numerate.

Please send full cv, stating salary, ref EP4015, to NBS, 42 Frederick Street, Edinburgh EH2 1EX

N B SELECTION LTD
a BNB Resources plc company

N·B·S

Edinburgh 0131 220 2400 • London 0171 493 6392
Aberdeen • Birmingham • Bristol • City
Edinburgh • Glasgow • Leeds • London
Manchester • Slough • Madrid • Paris

OPPORTUNITIES IN SOFTWARE DEVELOPMENT BANKING SYSTEMS

With over 900 employees across Europe, the US and Japan, Softlab GmbH is one of the world's leading Software and IT-Services Companies. Our products and services include the integrated software development environment, MAESTRO II, industry-specific and technical IT Consulting, and the realisation of large-scale projects for prestigious commercial organisations and government institutions. The basis of our success is extensive knowledge of our customers' requirements combined with experience of the latest developments in information technology.

Located in Frankfurt and Munich, our Banking division focuses on Treasury and Investment Banking, classical Retail Banking and Leasing. Due to exciting market opportunities and aggressive business expansion plans, we are looking for:

APPLICATION DEVELOPERS

for banking projects in the following areas: Foreign Exchange and Stock Business, Electronic Banking, Bank Loans, Account and Payment Transactions.

As an integral part of our expert teams, you will be developing mainframe and client/server solutions. You are already an ▶ expert in all phases of the software development lifecycle ranging from analysis to implementation and you have a good understanding of the banking industry. You have ▶ experience in mainframe system environments: MVS, COBOL, CICS, DB2 and/or OS/2 and GUI programming. An advantage would be ▶ experience with modern development tools (MAESTRO II, ADW etc.).

We are also offering graduates in Computer Science or Information Technology the opportunity to participate in a project team of experts if they have focused on the above mentioned system environments during their studies or have gained considerable practical experience in these areas.

PROJECT LEADERS

You have already been ▶ responsible for the development of complex system solutions, preferably in Banking, and have ▶ managed and motivated successful project teams. To meet the demands of our customers and the project teams you should ideally have ▶ several years of experience in the management of large-scale application projects combined with ▶ strong technical and communication skills, and a personal commitment to your work.

Ideal candidates will be team- and results-oriented with an ability to think analytically and creatively. Knowledge of German, an independent working style and the ability to work flexible hours and be mobile are also requirements for this position.

Does this sound appealing to you? If so, read on and see what our employees say about Softlab:

▶ At Softlab, we develop and use internationally leading software technology. ▶ At Softlab, we combine creativity and engineer-like software development. ▶ At Softlab, your career is determined by your personal performance. ▶ At Softlab, we count on teamwork, collaboration and - most of all- we enjoy working here!

We look forward to meeting you. Please call Mrs. Sabine Reil, Tel. Germany 089/ 93001-261 or send your C.V. and references to:

Softlab GmbH, Personnel and Organisation Department, Zamdorfer Str. 120, 81677 München

softlab

A BMW Company

Europe? Sure, that's where I work every day.

When the chance came to join the European Commission, I didn't hesitate. True, it meant moving to Brussels, but what an enriching experience, discovering a new country, visiting new cities and towns, coming face to face with a different culture.

Now I'm delighted I'm here. Apart from a mission that's close to my heart, I've found the Commission a stimulating career environment. My fellow-workers may be from different countries, but all are inspired by one and the same motivation, the construction of Europe.

THE EUROPEAN COMMISSION

is organizing an open competition, based on qualifications and an oral test, to constitute a reserve of

PRINCIPAL ADMINISTRATORS (m/f)

(A5/A4)

of Austrian, Finnish and Swedish nationality

Subject areas: ☐ General administration, public administration and management; ☐ Law; ☐ Economics; ☐ Statistics; ☐ Financial management and auditing.

Principal conditions for admission: Candidates must: ☐ have a thorough knowledge of German, Finnish or Swedish and a satisfactory knowledge of a second official language of the European Union; ☐ have been born after 17.11.1939; ☐ have completed a course of university education and obtained a degree or diploma; ☐ have at least 12 years' graduate-level experience since obtaining their university degree or diploma, at least 6 years of which must be related to the areas listed above.

The Commission is an equal opportunities employer and particularly welcomes applications from women.

The notice of competition and the official application form can be obtained by sending a self-addressed envelope (23 cm x 32 cm) (no stamp required) to:

EUROPEAN COMMISSION, Recruitment Unit SC41 (A5/A4), Wetstraat 200, rue de la Loi, B-1049 BRUSSELS.

Applicants should indicate their nationality when requesting an application form.

***Closing date for the submission of applications:** 17.11.1995.*

Please do not apply unless you meet the conditions and have the professional qualifications set out above.

UNIVERSAL COMMUNICATION

HEAD TRADER - SHORT TERM RISK MANAGEMENT

Exceptionally Attractive Compensation Structure

High Profile role trading short term interest rate and repo products in European currencies. The position encompasses a number of main areas: management responsibility for the risk taking activities and development of a team of repo traders, acting for the Head of Treasury in his absence on related issues and proactive generation of ideas on how to develop revenue aspects of the business. This is an active trading role and requires a keen awareness of the markets, a trading mentality and a flair for business development.

The Company, a prestigious global investment Bank with an excellent reputation for trading is involved in most major markets and is a market leader in Repo. The Funding activity is a critical aspect of the business and an important profit centre with a highly visible position on the trading floor.

The ideal candidate will have 3+ years experience trading European Money Markets, Derivatives, or Fixed Income product with an excellent understanding of risk and markets. Strong academic credentials are important, languages a plus and a strong desire to succeed essential.

Interested individuals with the relevant skills should contact Natalie Williams in the strictest confidence.

Michelangelo

Michelangelo Associates, Search & Selection, 2 Austin Friars, London EC2N 2HE. Tel: 0171-972-0150, Fax: 0171-972-0151/2

PORTFOLIO ASSISTANT

I.G. International Management Ltd., an IFSC company, is a wholly owned subsidiary of Investors Group Inc. of Winnipeg, Manitoba, Canada's largest mutual fund company. From its Dublin Ireland headquarters, I.G. International manages the non - North American assets of Investors Group's mutual funds.

We are seeking a Portfolio Assistant to work with our two Portfolio Managers in Dublin. The job entails analysis of Continental European companies and industries, analyst and company meetings, preparation of reports and securities trading.

The ideal candidate will have 3 to 4 years experience in the equity investments industry as an analyst, a university degree, a high level of written and oral communication skills and be enrolled in or have completed the CFA or IIMR examination program.

Interested candidates are invited to submit their resumes to our Dublin office. No verbal inquiries will be accepted.

Applications should be forwarded to arrive by October 31, 1995 and should be marked to attention of Jane D'Arcy at I.G. International Management Ltd., Canada House, 65 St. Stephens Green, Dublin 2, Ireland.

A limited number of interviews will be conducted in London and Dublin in early November

I.G. International Management Limited

TAKE PRECISE AIM

BY PLACING YOUR RECRUITMENT ADVERTISEMENT IN THE FINANCIAL TIMES YOU ARE REACHING THE WORLD'S BUSINESS COMMUNITY.

For information on advertising in this section please call:

Andrew Skarzynski on +44 0171 873 4054

Senior Scandinavian Economist

Deutsche Morgan Grenfell, the investment banking arm of Deutsche Bank, one of the world's largest AAA rated institutions, operates in over 30 countries with over 7,000 staff.

Our aim is to become the leading European investment bank and one of the top investment banks in the world. To do so means that we must attract and develop the very best people.

We are currently seeking an analyst to join our small team of Scandinavian Economists based in London. You will be expected to apply high quality economic analysis to the Scandinavian financial markets, particularly in the currency and fixed income areas. The focus will be on Sweden but you will also be involved in the other Scandinavian markets. You will work closely with the sales and trading activities and be expected to develop good relations with clients.

The successful candidate

You must have:

- A degree, probably at the post-graduate level, in Economics,
- Three years or more relevant working experience in economics or financial markets,
- Good presentational skills, both oral and written,
- A high level of numeracy,
- Fluency in English and Swedish; other languages, notably German, would be an advantage.

The level of renumeration and benefits package will reflect the experience and calibre of the individual sought.

Interested candidates are requested to send comprehensive CVs to:
Gill Nash, Personnel Department, Deutsche Morgan Grenfell, 23 Great Winchester Street, London EC2P 2AX

Deutsche Morgan Grenfell

Financial Sales and Marketing Professional

LONDON

A leading City based International Finance House is seeking an experienced financial sales and marketing professional.

The position offers a varied and challenging opportunity in structuring complex financial products and transactions.

The successful candidate will possess solid relationship management, communication and presentation skills, with particular expertise in dealing with international clients and proven ability to develop new business. Fluency in Japanese and English is essential. Ideally, the successful candidate will possess relevant qualification to MBA level.

This is an outstanding opportunity for an ambitious candidate and the rewards include a very competitive banking package.

To reply, please write with a detailed resume to Box A5839, Financial Times, One Southwark Bridge, London SE1 9HL

APPOINTMENTS WANTED

For Private Business lunches, dinners + cocktail parties.

BUTLER SERVICES

available.
Many languages spoken.
Contact Mr. Carinci
after 5pm
0171 244 7752

OPPORTUNITY IN TRADING WANTED

by Master in Finance, brief City experience in Futures Sales, fluent English, German, Spanish. Open to various locations, products, strategies.

Please reply to Box A5837, Financial Times, One Southwark Bridge, London SE1 9HL

GENERAL MANAGER/DIRECTOR

With experience of Leasing and Hire Purchase and Asset Financing. A proven track record of launching new ventures and restructuring delinquent companies.

Patient, well organised individual who is thorough, precise and of a friendly nature. A team leader who vests his authority in expertise and the requirement of attention to detail.

A hater of waste - spearheading debt recovery programmes and laying down strict lending criteria for new business.

Chosen by bankers and receivers to represent their interests in many situations. Now seeking a challenging appointment where his experience and expertise can be fully utilised.

Write to Box A5840, Financial Times, One Southwark Bridge, London SE1 9HL

هكذا من الأصل

SOCIETE GENERALE EUROPEAN EMERGING MARKETS LIMITED & SOCIETE GENERALE EMERGING EUROPE ASSET MANAGEMENT LIMITED

These newly established City of London based subsidiaries of Société Générale are dedicated to stockbroking and funds management activities focused upon equity issuers in Central and Eastern Europe. To help us tackle the enormous growth potential of this dynamic marketplace we need to recruit additional professionals to become members of these specialised teams.

Senior Research Analyst

As a key member of a small but growing team you will produce high quality research on a wide variety of issuers from within the region. You will help develop the range of companies which we follow and produce informed and innovative recommendations for our sales team. Importantly, you will be able to present your ideas to institutional investors in an effective and lucid manner.

Having 3 to 5 years experience, you must be able to demonstrate a high level of both analytical and presentational skills. You may have experience of the region or perhaps have specialised in analysing smaller companies in other markets. Computer literate and willing to travel, you may have relevant language skills and a familiarity with the macro economics of the area.

Ref: SGEEM/sra

Senior Equity Sales Executive

As a member of a strong sales team, you will play a leading role in that part of our sales and marketing effort aimed towards UK institutional investors. Combining your sales skills and initiative with in-house research, you will help create institutional interest in and enthusiasm for the equities which we follow and new issues which we expect to originate from the region.

With 3 years or more experience of selling equities to the UK institutional market, you will possess entrepreneurial flair and will be able to demonstrate a successful sales track record. You will be an effective communicator with an ability to translate research ideas into income generating business. You may not have any experience of the region but may have experience of selling European equities.

Ref: SGEEM/sese

Senior Fund Manager

As an experienced professional within the asset management company you will play a leading role in developing an array of country, regional and sector funds focused upon the increasingly wide range of issuers in Central and Eastern Europe. You will manage these funds to meet the needs of both institutional investors and high net worth individuals.

With over 3 years of demonstrable fund management success you may have some experience of the region or other emerging markets. Of degree level education, and having a willingness to travel, you will be able to evaluate the potential of a broad range of companies in a variety of sectors. You will need to demonstrate an ability to interpret and anticipate the impact of political and economic developments in the region.

Ref: SGEEAM/sfm

Remuneration for each of these positions will be competitive and by negotiation. If you are a flexible team player and have the necessary skills, experience and enthusiasm to fulfil one of these challenging roles please send a full CV including details of current remuneration, quoting the appropriate reference on both letter and envelope, to the Recruitment Officer, Société Générale-SGEEM/SGEEAM, Devon House, 58-60 St. Katharines Way, London E1 9LB, or by fax on 0171-480-5011.

GENERALE

BACOB BANK LUXEMBOURG S.A.

The Investment and Private Banking Subsidiary of BACOB Bank S.C., Brussels, has two immediate openings for

TOP RELATIONSHIP MANAGERS

PRIVATE BANKING

The ideal candidates will have a thorough knowledge of Investment Products and their Markets, acquired during 10 years of international experience.

In addition, they will be self motivated, team spirited, goal orientated and prepared to become Luxembourg residents.

The vacancies are to be filled by one Dutch/Flemish native speaker and one German native speaker. Fluency in English is a must and the knowledge of French could be considered an advantage.

For further information you may contact Mr Fred T. MATYN. Member of Senior Management on tel: 00 352 46 13 41.

If you are interested, please send your application in strictest confidence to

Ms Theresa HOFFMAN
BACOB Bank Luxembourg S.A.
P.O. Box 11
L-2010 LUXEMBOURG

Scottish Mutual Assurance plc is a company with great plans for the future. Our aim is to significantly develop new business, to take full advantage of developing European and off-shore opportunities and to place our life assurance business within the top ten UK life assurance companies.

International Bond Fund Manager

This is a newly created position working in conjunction with the Investment Manager (Fixed Interest) in operating a new International Bond fund which will become one of our key funds. Providing analysis on international markets and economies, assisting with fund management and marketing duties will all be part of your remit.

Educated to degree level, preferably honours, you will have 2-3 years experience of managing active bond fund portfolios. As a team player, you should also have good interpersonal and communication skills.

Investment Manager

Far Eastern Equities

Managing and controlling the investment of Pacific market equity portfolios, it is your remit to optimise the performance of funds under management, through maintaining a strategic overview of Far Eastern equity markets. In addition you will be expected to contribute to the asset allocation process as a member of the asset allocation committee.

Answering to the Director, Investment, with at least 8 years Fund Management experience, you should possess strong analytical skills and a proven track record in management. Excellent interpersonal skills are also key in this role.

In return, you will be given the opportunity to make a genuine contribution to what is a rapidly expanding and highly successful company which offers a competitive salary and a generous range of benefits including free life assurance, a subsidised mortgage and non-contributory pension scheme.

Please send your CV stating your salary expectations to: Monica Langa, Personnel Department, Scottish Mutual Assurance plc, Abbey National House, 301 St. Vincent Street, Glasgow G2 5NB. Telephone 0141 275 8621/8282.

In pursuing our policy of equality of opportunity for all, Scottish Mutual positively welcomes applications from every section of the community.

To support a healthy work environment, Scottish Mutual has a no smoking policy.

Scottish Mutual

Promoting Success Through Equality

FLEMINGS

Compliance Professionals

Flemings is a leading independent and long established merchant bank with an enviable reputation for integrity. The Group Compliance Department provides compliance support to the individual business units. As the workload of the department expands two additional Compliance professionals are sought to work in the following areas:

Securities Trading/Broking

The role will involve providing advice on all matters relating to the trading and broking businesses. This will include liaising with the regulators (SFA, Stock Exchange, etc), monitoring changes in legislation, considering their impact on the structure of the businesses and training. It will also be important to work closely with the monitoring team.

Compliance Monitoring

You will oversee and co-ordinate all monitoring work across the Group. This will involve developing sophisticated monitoring programmes, making full use of a dedicated computer system, overseeing compliance audit work and ensuring that material findings are communicated effectively to senior management.

The Securities Trading/Broking role will require experience of the SFA rules and a good knowledge of the securities business. The Monitoring role will require knowledge of the UK regulatory system with a reasonable level of computer literacy. For both positions you will probably be professionally qualified and it is unlikely that you will have less than three years relevant experience. Strong interpersonal skills and the ability to build and sustain key relationships are essential as is the ability to work independently in a demanding environment.

Long term career prospects within the bank are excellent and the highly competitive remuneration package includes a performance bonus and the full range of banking benefits.

Please write to Paul Mewis at BBM Selection, quoting reference 366, and enclose a full Curriculum Vitae that includes contact telephone numbers. All applications will be treated in the strictest confidence.

76, Watling Street, London EC4M 9BJ

BBM SELECTION

Tel: 0171-248 3653 Fax: 0171-248 2814

شركة رنا للاستثمار
Rana Investment Company

CORPORATE FINANCE SAUDI ARABIA

Rana Investment Company is a leading private investment company in Saudi Arabia, with investments in Asia and America, as well as its home market of Saudi Arabia and the Gulf. It is expanding and diversifying its activities. To strengthen its existing team, the company is looking for an

International Investment Banker

The Job: to identify international investment opportunities in funds, mergers & acquisitions, emerging markets, new products and real estate etc. The job includes developing transaction specific products for funding M & A (convertible bonds, subordinated debt, straight bonds, preferred stock, equities etc.) and analysing privatisation opportunities. The job holder would report directly to the General Manager.

Experience: a minimum of 7-10 years in international corporate finance, including handling of mergers & acquisitions in developed and emerging markets. A good understanding of international laws pertaining to investment, taxation, ability to work and co-ordinate with lawyers, and fundamental and technical financial analysis is essential. Experience in handling international products floated for M & A activity is desirable. Candidates should have good contacts with international investment houses for high quality deal flow as well as equity funding and loan syndications.

Candidates must have the ability to complete transactions independently and the flexibility to adapt their skills to unfamiliar conditions.

Salary/bonus: is negotiable and would not be a constraint for the right candidate. Housing and other benefits would be part of the package. Location would be Riyadh. Candidates are ... to submit their complete CVs, stating current remuneration details, immediately to:

Box No : A5842, Financial Times, One Southwark Bridge, London SE1 9HL

APPOINTMENTS ADVERTISING

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday

For further information please call:

Andrew Skarzynski on +44 0171 873 4054

Toby Finden-Crofts +44 0171 873 3456

Corporate Finance Executive

Electricity

This European based investment bank has global distribution power and the underwriting resources to produce innovative financial solutions for clients worldwide. Its corporate finance Department is internationally involved in every aspect of M&A, flotations, capital raisings and general financial advice.

The UK Electricity Team is enjoying a significant increase in business in the UK and overseas and, as a result, has created a new position at executive level.

Liaising with equity teams and business units, you will be involved, in particular, with privatisations and flotations in a role which combines modelling, presentation preparation and client interaction.

A graduate, probably with an MBA, you have 4-5 years' experience of electricity gained either within corporate finance or from a corporate strategic role in industry.

Based in the City of London and travelling as necessary, you will command a competitive salary plus comprehensive benefits including car allowance.

In complete confidence, please write promptly, with CV, to: **Sue Jagger, Deputy Managing Director, Simpson Crowden Consultants Limited, 97/99 Park Street, London W1Y 3HA. Telephone 0171 629 5909.**

Simpson Crowden
CONSULTANTS

APPOINTMENTS WANTED

EASTERN EUROPEAN SUBSIDIARIES, JOINT VENTURES OR FEASIBILITY STUDIES

Russian speaking Dane, 33, MBA, B.Sc. Engr., undertakes short or longer term Eastern European assignments. Has extensive project experience in Russia and Czechoslovakia, including setting up from scratch ISO 9002 certified 100% export oriented mechanical factory in Russia while establishing sales to leading Western European machine builders.

Please fax
Michael Esper Andersen
at +45 31 51 96 36

DEPOSIT DEALER c£25,000

As a result of expansion this medium size International bank currently has an opening for a Money Market Dealer. The ideal candidate aged 20-25 will have gained a minimum of eighteen months on a treasury desk and be well versed in all aspects of cash trading. Previous experience managing a deposit book and knowledge of the off balance sheet markets would be beneficial, as would be the ability to integrate into a team environment.

For further details please contact or write in the strictest confidence, to Steve Cartwright.

Gordon Brown

ACCOUNTANCY APPOINTMENTS

Assistant Treasurer International

Paris

Salary to 250KF + profit sharing

DANONE

Headquartered in Paris, the **DANONE** Group is a world leader in branded consumer food products including Danone, Evian, HP, Jacobs, Kronenbourg and Lea & Perrins. The Group has operations in more than 30 countries and an annual turnover in excess of £10 bn.

This dynamic company has a continuing programme of investment in new overseas operations, particularly in those markets offering high growth potential. To help support this programme of expansion, the Group is now looking to recruit a high calibre individual to join its International Treasury Department.

Reporting to the Head of International Treasury, you will be responsible for analysing and reporting on the performance and investment needs of foreign subsidiaries, particularly those in Eastern Europe, Latin America and Asia.

You will play a key part in the management of risks and practical issues associated with such operations.

Therefore, 2-4 years experience in banking is essential, ideally in the application of treasury and capital markets techniques in managing such risks.

In your mid to late 20's, you will be a graduate, with a further professional qualification. The position demands first rate communication skills including fluent English and a working knowledge of French. The stature to operate effectively across cultures and at the most senior levels is essential, as well as the ability to travel extensively worldwide.

The position offers the potential for rapid advancement.

Please reply in confidence, enclosing a full C.V. and quoting reference B1968, to: Alexander Hughes Selection, 58 St. James's Street, London SW1A 1LD.

ALEXANDER HUGHES
SELECTION
A Company Member of the CPM Search International Network

FINANCIAL PLANNING AND ANALYSIS DIRECTOR

Walt Disney

LONDON

ATTRACTIVE PACKAGE

- Market leader operating in the media and entertainment markets, this international division is responsible for the distribution of feature films and other television products. It has ambitious and demanding plans to extend by new ventures world-wide.
- The company needs a Financial Planning and Analysis Director to report to the VP Finance, with specific responsibility for supporting senior executives operating internationally in the separate but related programming development, new ventures and production areas.
- He/she will be responsible for developing a small, high calibre team, bringing focus and clear priorities to a demanding multi-project environment, and will work alongside a second Financial Planning and Analysis Director, who is responsible for Television Distribution.
- This is a high profile, international position, calling for excellent project management experience allied to first rate technical accounting ability. He/she must be capable of analysing, prioritising and then managing a range of ongoing and sensitive ad hoc activities, using well developed influencing skills to obtain the support of senior line managers.
- Graduate, probably ACA with at least three years post qualification experience. Likely profile is senior manager in a "Big 6" management consultancy or corporate finance department, however other relevant backgrounds will be considered.
- The role calls for a sharp intellect, flexibility of approach and exceptional levels of energy and enthusiasm.

Please apply in writing quoting reference 1020
with full career and salary details to:
Nigel Bates
Whitehead Selection Limited
11 Hill Street, London W1X 8BB
Tel: 0171 290 2043

Whitehead SELECTION
A Whitehead Mann Group PLC company

CANCER RELIEF Macmillan FUND

Finance Director

London SW3

c£50,000 p.a.

This leading national charity works with the National Health service and other organisations to improve the care available to people with cancer and their families. At the heart of its work are the Macmillan Nurses - now more than 1,200. The charity has developed a wide range of cancer care services throughout the UK and has grown rapidly in recent years with an income approaching £40 million in 1995.

Our consultants, CJA, invite applications from qualified Accountants, with at least 7 years' experience at Director or Controller level in organisations noted for their advanced M.I.S. As a key member of the management team, reporting to the Chief Executive and Finance Committee, you will be responsible for reviewing and streamlining the accounting functions, and improving the quality of the MIS reporting and analysis to satisfy the changing needs of the Board and Regional management. In addition to the management and motivation of the Finance team, you will also be responsible for IT (with new systems planned) and certain administrative functions. Essential will be strong, effective communication and inter-personal skills, complemented by an energetic, innovative and modern management style with a sense of humour. Initial salary negotiable c.£50,000 + contributory pension, free life assurance and free BUPA.

Please will you send, by post/fax, your full career details, including current remuneration, quoting ref: FD5172/ST to our Consultants:

CJA, 2 London Wall Buildings,
London Wall, London EC2M 5PP.
Tel: 0171 588 3588. Fax: 0171 256 8501.

HEPWORTH PLC

GROUP FINANCE DIRECTOR

Substantial Remuneration

Hepworth PLC is a major building materials and industrial group whose 1994 sales of circa £700 million and profits of circa £75 million are predominantly in the European Union. In each of Hepworth's five divisions, strong market positions have been achieved and it is the Group's strategy to grow organically by new product development, and where appropriate, by acquisition.

The company now wishes to recruit a high-calibre Group Finance Director to join its board, direct the finance function and contribute to the overall development of the group. Candidates who should be graduate accountants, must have gained plc finance director experience as well as exposure to manufacturing operations. International experience is desirable.

This is a splendid opportunity to join a well managed and financially strong group at an exciting time in its development. Location will be either Sheffield or London.

Miller Leake ADVERTISING

Please apply in writing quoting reference (GF/23) and enclosing a full curriculum vitae to: Miller Leake Advertising, 50 Harvey Road, Farnborough, Hampshire GU14 9TW.

Price Waterhouse
EXECUTIVE SEARCH & SELECTION

Senior Manager – Internal Audit

To £50,000 + banking benefits City

Something different

You've heard it all before! "Join our internal audit department. It's a great way to learn about the business and a stepping stone to greater things." But how often does it actually happen? Here, audit is appreciated as a real contributor to our success. Our team is high profile, our new methodology is state of the art, our role is to consult and advise and improve – not to rap knuckles. As a result, line managers are inviting us to join them in reviewing and improving their businesses. And we do view roles such as this as training grounds where auditors can be groomed for management elsewhere in the organisation.

The bank

We are, by any measure, a major force in international and domestic banking – a true blue chip. Our profile is high and we are perceived as an innovative player in our chosen markets. With a business as large and complex as ours, effective risk management is vital and audit plays a major role in this.

The role

We want you to manage a team responsible for treasury, funds and financial audits. Of course, this means planning, staff management and review of assignments. More important to us, though, is your role as manager of relationships with our internal clients. It is your job to understand their businesses, respond to their problems and encourage them to call on our resources. Finally, in line with our culture of continuous improvement, we hope you will contribute to the further enhancement of our audit methodology.

You

We are not looking for a traditional accountant. We take your technical excellence as given but we're really looking for expertise in treasury – products, markets and the associated risks; expertise gained in the audit department of a large international bank or within the accounting profession. Most important of all, you are a confident, articulate and persuasive communicator; you have presence and credibility and you establish rapport easily.

Your future

We believe we can offer a challenging and stimulating future in internal audit – but the bank is going through continual change and that change creates opportunities. In reality, your future is in your hands and we'll give you the room to shine and develop your career in any part of the bank.

To begin with, convince our advising consultant, Mark Hartshorne, that you are out of the ordinary. Write to him with full CV and remuneration details and quoting reference D/1593 at:

Executive Search & Selection,
Price Waterhouse,
No 1 London Bridge,
London
SE1 9QL.

Finance Director

Private Limited Company

c.£50,000 + Benefits **London**

Board appointment to provide corporate financial advice and information to support future growth strategy.

THE COMPANY
- Established and well respected. Recently incorporated partnership.
- Multidisciplinary service providers to property and construction markets. Tightly controlled and continuously profitable throughout recession.
- New strategic focus. Developing greater regional presence in UK and internationally through organic growth, associations and joint ventures.

THE POSITION
- Advise Board on financial performance and strategy. Contribute strongly to future planning and direction. In charge of small team, based London.
- Close involvement in relationships with both existing and potential external parties eg acquisitions, associations.
- Oversee financial management information delivery. Develop systems and team to facilitate information gathering.

QUALIFICATIONS
- Ideally aged 35–45. Chartered Accountant, preferably with further business qualifications eg MBA. Senior level experience in partnership or private limited company.
- Strategic thinker. Used to dealing with corporate issues and negotiations.
- Ambitious. Desire to have equity in the future. Enthusiastic with entrepreneurial drive and spirit. Team player.

Please send full cv, stating salary, ref P4016, to NBS, 54 Jermyn Street, London SW1Y 6LX

N B SELECTION LTD
a BNB Resources plc company

N·B·S

London 0171 493 6392
Aberdeen • Birmingham • Bristol • City
Edinburgh • Glasgow • Leeds • London
Manchester • Slough • Madrid • Paris

FINANCE DIRECTOR DESIGNATE

WEST YORKSHIRE

PACKAGE TO £40,000 + PRESTIGIOUS CAR + SHARE OPTIONS

Our client is a successful and expanding company operating throughout the UK in the service industry. It has recently completed a number of acquisitions and has plans to expand its operations significantly by further acquisitions prior to flotation in the next 3 years.

Based at the Group's headquarters and reporting to the Group Chief Executive, the Finance Director Designate will be a key member of a small high calibre team responsible for the accounting and financial control of the Group. The role will involve the preparation of the monthly management accounts and consolidated financial statements and also the setting up of financial controls and systems for new companies acquired. In addition, the person appointed will be required to undertake special projects and travel within the UK.

You will be a Qualified Accountant, ideally with a degree, probably in the age range 30 to 35 and you should have worked in a responsible financial role at the head office of a large and acquisitive group. You must be highly motivated with strong leadership and intellectual qualities and be able to demonstrate first-class technical and interpersonal skills. Experience of sophisticated computer systems is essential.

The position, based in West Yorkshire, carries an excellent benefits package which reflects the importance of this key appointment. This is a high profile role and there is significant career development potential.

If you are interested, please telephone Stuart Adamson FCA on 0113 245 1212 or send your CV, in confidence, quoting reference 3920, to Adamson & Partners Limited, 10 Lisbon Square, Leeds LS1 4LY. Fax Number 0113 242 0802.

ADAMSON & PARTNERS
INTERNATIONAL EXECUTIVE SEARCH & SELECTION

FINANCE DIRECTOR

ROAD TRANSPORT/DISTRIBUTION

C£50,000, CAR ETC NORTHERN ENGLAND

A well-established, profitable private company in the North of England (t/o £25m - operating over 500 units) is looking for a highly-focused, proactive Finance Director to contribute directly in the areas of financial planning and control, improvement of IS in all areas, and achieving the future profitable growth of the Group.

Having qualified with one of the major firms of Chartered Accountants, aged around 35, with some good commercial experience (major company or small plc) since the profession in sectors like transport, logistics or industrial services - you will want the direct involvement which is guaranteed when working with a highly experienced MD in a medium-sized group with some international sales. Hands-on, an IT-user, a direct communicator, as happy in the profit centres as with the company's financial/professional contacts - you will know just where the company is growing strategically and exactly what part your role will play in its success. You will also take responsibility for the highly sophisticated, market-leading IT systems.

Your future progress within the company will be limited only by your own ability.

Please send a comprehensive CV to Howgate Sable & Partners, Arkwright House, Parsonage Gardens, Manchester M3 2LF. Tel: 0161-839 2000, Fax: 0161-839 0064, quoting ref: F.T.23.E.

Cert No. FS 28 612

Howgate Sable
SEARCH AND SELECTION: EXECUTIVES AND INDEPENDENT DIRECTORS

Logistics

International Banking

Chartered Accountants - City - £Highly Competitive

Our client is one of the world's leading international banking groups whose worldwide activities span an extensive range of financial services. As part of the Head Office function, a high profile team of professionals has responsibility for reviewing and evaluating the management and control of business risk in the Group's investment banking and treasury activities on a global basis.

Recent promotions to roles elsewhere in the Group have created openings for additional members to join the team. Successful candidates will be high calibre, graduate Chartered Accountants with up to two years' post-qualifying experience, and are likely to have gained experience in sophisticated audit techniques through training with a leading accountancy firm.

You must be able to demonstrate academic and professional achievement, analytical abilities, a high level of technical competence and strong interpersonal skills. Working in a fast-moving, demanding environment, you must have the willingness to work hard and the desire to develop your business knowledge and technical skills. Also important is the desire to travel as, although based at the Group Head Office in London, you will spend up to 40% of your time overseas, conducting reviews in the world's major financial centres.

These challenging roles will provide a high level of exposure to senior management throughout the Group and will offer ambitious young accountants excellent opportunities for career progression with a prestigious global banking organisation.

Please write to Janet Bullock at BBM Selection, quoting ref. no. 362, and enclose a full CV that includes contact telephone numbers. All applications will be treated in the strictest confidence.

76, Watling Street,
London EC4M 9BJ

BBM SELECTION

Tel: 0171-248 3653
Fax: 0171-248 2814

Senior Finance Managers

London/Brighton *£35,000 - £50,000 plus benefits*

American Express is the world's largest travel related services company, spanning 160 countries worldwide. A reputation for quality of service, the hallmark of the American Express organisation, is unsurpassed in this field.

Our Travel Related Services Division is a major issuer of credit and charge cards as well as providing a range of business and leisure travel services and travellers cheques. Operating on a pan European basis, with offices in all the major cities, each location tailors its business operations to meet unique local needs in a way that complements the premium nature of the products and services.

The Business Consultancy Group provides high profile support to line management on finance matters. Two high calibre finance professionals are required to join the team in roles that demand the ability to present facts clearly, challenge the status quo and debate change effectively with senior management.

You will provide financial analysis and project support on business issues covering all the customer groups with particular emphasis on re-engineering initiatives, operating expense reduction, product profitability and new business development.

Suitable candidates will have experience of performance management and/or performance engineering from within (ideally) a financial services or consultancy environment.

A record of academic, professional and personal achievement are essential ingredients for success in role s that provide a natural stepping stone to general management within a global business.

To apply please write with a full CV and details of current salary, quoting reference 4150/FT to:

Tom O'Neill, Wheale Thomas Hodgins plc, Executive Resourcing,
13 Berkeley Square, Clifton, Bristol, BS8 1HG. (Fax: 0117 9272315)

TRAVEL RELATED SERVICES
An American Express company

CJA

RECRUITMENT CONSULTANTS GROUP
2 London Wall Buildings, London Wall, London EC2M 5PP
Tel: 0171-588 3588 or 0171-588 3576
Fax No. 0171-256 8501

Excellent career development role in a fast-moving environment

CJRA

FINANCE DIRECTOR

SOUTH-EAST ENGLAND **c£40,000 + BENEFITS + PRB**

AN ADVANCED UK PRINTING OPERATION - T/O £20m

Applications are invited from qualified, commercially-driven accountants (ACA, CIMA, ACCA), in their 30s, with not less than 5 years' experience as a Financial Controller or Director in a printing or similar manufacturing organisation, using fully computerised accounting systems, preferably in a production/plant environment. As a member of the senior management and assisted by a small team, the successful candidate will be responsible for the full financial control, management and reporting for this young and dynamic company. A priority will be the further development and implementation of operational and management information systems, to tight deadlines and in a concise format. In-depth computer literacy and a practical approach to problem solving, both in the manufacturing and financial control areas, are as important as self-motivation, energy and resilience in an aggressive, go ahead company with ambitious growth plans. Initial salary negotiable c. £40,000 + benefits and a profit incentive scheme. **Applications in strict confidence, quoting reference FDP5182/FT will be forwarded to our client in the first instance. If there are companies to whom you do not wish your application to be sent, these should be listed in a covering letter addressed to the Security Manager, CJRA.**

Head of Internal Audit

With over 300 years of distinguished history, Coutts is one of the leading names in private banking. The offshore trust services of the Coutts Group with operations in the Channel Islands, the Isle of Man and the Caribbean constitute a cornerstone of the business.

Coutts & Co Trust Holdings Limited, the parent company of our offshore operations is seeking to recruit a Head of Internal Audit. The successful candidate will be based either in Jersey or the Isle of Man.

This is an exciting opportunity to make a constructive contribution both to the control of risk and to the development of operations in a rapidly growing business.

If you believe you possess strong current experience in the auditing of international private banking and, in particular, trust operations, as well as business and management skills, we invite you to send or fax your curriculum vitae to Christine Govett, Coutts & Co Group, 27 Bush Lane, Cannon Street, London EC4R 0AA, facsimile 0171 203 4799.

Coutts & Co
COUTTS & CO GROUP
Member of the NatWest Group

Price Waterhouse
EXECUTIVE SEARCH & SELECTION

Group Finance Director

Major UK plc

c.£125,000 + benefits London

About Us

We are a market leader in our sector. In the last 5 years we have re-structured our business, selling off non-core areas while developing and investing in our main areas of activity. We may have cut overhead costs, but we have never cut the high quality service we provide to our customers. Our reputation has gone from strength to strength and we have the respect of analysts and city journalists alike.

Our Future

This should be superb. With a turnover of around £½ billion, we are very well placed to move forward. We are financially very strong with low borrowings. There are no skeletons in our cupboard and we have a committed and talented management team. What we need now is an outstanding Group Finance Director.

Our Style

Direct, open and honest. We are professional, but work in a relaxed and informal atmosphere within a small group headquarters. We are focused upon providing the best possible service to our customers at the most economic price. We are not frightened of change (and what we have achieved over the past few years demonstrates this). We do not play political power games. We know it is team work that will ultimately help us win.

The Role

Typical of a Group Finance Director within a substantial public company. It will combine financial responsibility with a contribution to the management of the group and liaison with investors and city representatives. But this is a role that can be taken beyond the processing of numbers. We are looking for someone with a highly pro-active approach, who understands the added value they can bring to running a business of this scale.

You

Are likely to be a qualified accountant and will certainly have reached a senior level in financial management. You may already be Group Finance Director in a smaller plc, or alternatively a Divisional Finance Director within a major listed group. You will have experience within a multi site operation. You will be hungry to progress, confident of your own abilities and able to confront issues. We are not looking for a shrinking violet. Nor are we looking for someone who has forgotten how to laugh or enjoy themselves.

Next Step

Please write to our advising consultant, Alannah Hunt, quoting reference A/1592 at the address below. Alternatively if you would like a discreet conversation about the role, please call her on 0171 939 5968.

Executive Search & Selection,
Price Waterhouse,
No 1 London Bridge,
London
SE1 9QL.
Fax: 0171 403 5265.

DIRECTOR
EUROPEAN FINANCIAL OPERATIONS

c£50,000
+ Bonus
+ Benefits

LONDON
BASED
INTERNATIONAL
TRAVEL

With world-wide revenues in excess of US$10 Billion, our client, a Fortune 100 Corporation, operates at the forefront of the revolution in interactive television and telecommunications.

To support an aggressive acquisitions strategy the International Business Development Group, located in London, have newly created opportunities for two senior financial executives who will be responsible for operational finance and broader business support to investments throughout Europe.

Initial responsibilities will include:

- **New Venture Assimilation** – in conjunction with Business Development, effectively arranging the transition from business development activities to operational ventures.
- **Operations Support** – to support the ventures in achieving their objectives by providing a central support role, effecting cross-venture leverage and fertilisation and providing critical short and long term assistance.
- **Fiduciary Interface** – to develop and communicate an integrated corporate financial message to venture Directors, to maximise profitability.
- **Business Development** – supporting the corporate development team in the review of new business opportunities and the preparation of complex business cases to support potential investment decisions.

Successful candidates should be MBAs/Qualified Accountants, with well developed spreadsheet skills and the ability to positively influence business performance and decision making at national and regional level. You will possess drive, energy and demonstrate considerable success in international financial management. You will now be seeking to further develop your already successful career in a pan-European business environment.

For further information on these exceptional career opportunities, interested candidates should contact **Mark Stewart,** advising consultant at **FSS Europe** for an initial confidential discussion on **(44) 171 209 1000** or alternatively send your CV to **FSS Europe, Charlotte House, 14 Windmill Street, London W1P 2DY, (Fax: (44) 171 209 0001).**

FSS EUROPE

Telecommunications Commercial Accountant

Guildford **to £32,000 + benefits**

Telecommunications are at the forefront of modern life. Recent innovations in the sector have been widely reported, with European companies setting the pace of change. Our client is a leading player in the worldwide market and enjoys an unparalleled reputation for the provision of quality solutions to a diverse range of clients.

The organisation has undergone outstanding growth over the last five years and is well positioned to build on this success in the years to come. Expansion has created the need for a dynamic commercial accountant with the business acumen to play a vital role in the company's future expansion.

Reporting to the Finance Manager, and serving as Sector Controller, you will be responsible for the overall financial activities of the business sector, including:

- Analysis of financial performance
- Production of forecasts and budgets
- Provision of operational reports to senior management
- Control of capital employment
- Control of margins

In addition you will contribute to challenging ad-hoc projects and support the ongoing development of the team. This may involve some overseas travel.

You will need to be a qualified accountant with at least two years experience in a financial or commercial discipline. You must also be able to demonstrate the ability to grasp complex business issues and structures within a highly technological environment.

To apply please send your current CV to:
Mark Wheatley, Parkwell Management Consultants Ltd
3 Catherine Place, Westminster SW1E 6DX
Tel: 0171 233 5207 Fax: 0171 233 5205
or at Email: 100752.3606@COMPUSERVE.COM

PARKWELL

Senior Bank and Computer Auditors

Deloitte & Touche Eastern Europe, part of Deloitte Touche Tohmatsu International, is the largest and fastest growing professional services firm in the Eastern and Central European region. Our Hungarian practice, which holds a pre-eminent position in the financial services sector, is seeking experienced professionals to join our Budapest office.

Bank Auditor – Budapest

The successful candidate will join our established Banking Audit Practice which services a wide variety of financial services clients throughout Hungary. You will be responsible for a portfolio of banking clients and will participate in financial services consulting projects as well. A natural leader with the ability to adapt to a changing environment, you will be expected to train professional staff as well as deliver the highest level of service to our clients.

You will be a Chartered or Certified Accountant with at least five years experience in the audit of a variety of financial institutions. Prior experience in emerging markets would be very valuable as would experience in auditing and reporting under International Accounting Standards.

Computer Audit Service (CAS) Manager – Budapest

Joining our Audit Department, you will work on both financial institutions and commercial companies. You will be expected to develop and manage our growing CAS practice including: leading and conducting CAS reviews as part of our audit process, training and developing local staff and providing consultancy services.

You will have a minimum of five years of CAS experience, preferably within public accounting, possess strong technical and managerial skills and be familiar with a variety of platforms.

Strong written and oral communication and interpersonal skills are critical for both positions, as are a commitment to quality, a willingness to assume responsibility and a strong desire to work in an emerging marketplace. English is the common language – other appropriate language skills, including Hungarian, are a plus, but not essential. Competitive salaries, commensurate with experience and other factors, will accompany both positions.

If you meet the requirements and are interested in these exciting and rewarding opportunities, then please forward a copy of your CV (preferably by fax – # 42 (2) 232 9792) to:

Mr. Todd Rossel, Director of Human Resources, Deloitte & Touche Eastern Europe, Tynska 12, 110 00 Prague 1, Czech Republic.

Deloitte Touche Tohmatsu International

COMMODITIES AND AGRICULTURE

Workers vote to end Alcan strike

By Robert Gibbens in Montreal and Richard Mooney in London

Transport and power workers at Alcan Aluminium's Quebec smelter complex returned to work yesterday after taking part in a vote late on Wednesday that resulted in a narrow overall majority in favour of the company's final pay offer.

The management was awaiting the result of a meeting of the executive of the Arvida union, which represents smelter workers, yesterday afternoon to see whether they would follow their 1,200 colleagues' lead and end the all-out strike that started last Friday.

The Federation of Aluminium Sector Workers, a blanket organisation that includes several distinct Alcan bargaining units, said the secret ballot showed that the workers were deeply divided and admitted: "It will be a problem maintaining militancy".

About 93 per cent of the 4,100 eligible workers were balloted at Wednesday's meeting. The result was 51.9 per cent overall in favour of accepting the offer and 47.8 per cent against with 0.3 per cent spoiled votes. Two smelter bargaining units and the power and railway units voted to accept, while the Arvida smelter and alumina plant units, the most numerous group, at about 3,800, and the most militant, voted narrowly against.

Alcan's final offer was a package of pay and benefits totalling 12.6 per cent over three years. The union said the pay element was really 7 per cent and job reorganisation was inadequately recognised. Even with other benefits included, the package is less than Canadian Reynolds Metals workers settled for on June 30.

The Alcan smelters shut down by the strike have annual capacity of nearly 500,000 tonnes or about 30 per cent of Alcan's total world ingot capacity.

● At the London Metal Exchange concern about the possibility of a stoppage at Alcan underpinned the aluminium market last week while prices of other base metals suffered sharp setbacks. But once the strike became a fact its bullish implications were quickly discounted and prices fell quickly.

Analysts pointed out that substantial amounts of smelting capacity were sidelined in compliance with the "memorandum of understanding" agreed by producing countries early last year in an effort reduce excessive stocks. So other producers would have little difficulty in covering the shortfall left by a protracted stoppage at Alcan.

Alcan itself announced on Tuesday that it would restart 10,000 tonnes of annual capacity at its Lynemouth and Lochaber smelters in the UK "to ensure that we continue to meet customers' needs".

Encouraged by a strong copper market, aluminium's three months delivery position rallied by $10.50 to $1,696 a tonne at yesterday's close, but that was still $78.50 down on the week.

Order breaks down as Chinese go for gold

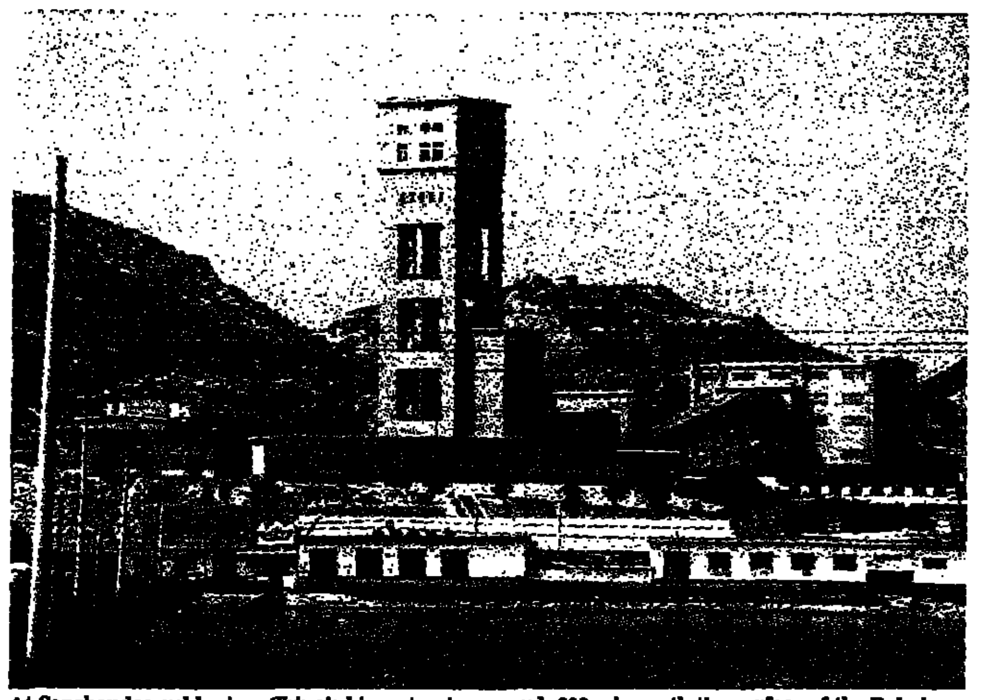
Price liberalisation has spurred prospectors into a chaotic gold rush, writes Tony Walker

At China's Sanshandao gold mine work appears to be going ahead in an orderly way, with miners descending some 600 metres below the surface to work seams that stretch under the Bohai sea.

Sanshandao, in Shandong province, is China's biggest and most modern gold mine and may be the world's only mine that extracts ore from under the sea, but the apparent orderliness of production on the shores of the Bohai belies the turmoil that has gripped the Chinese gold sector since the state council, or cabinet, started liberalising the industry in 1993.

Mr Mao Zhiliang, a senior official of the Yantai Gold Bureau, which is responsible for China's main gold producing area, located on the Shandong peninsula, employed a Chinese maxim to describe attitudes in Beijing, which have spurred one of the greatest and most chaotic gold rushes in the country's history as thousands of backyard miners have tried their luck across the country.

"Their attitude was: let the state, the collective and the individual get rich – if the water is going to flow anyway let it flow faster," he said of Beijing's decision to move the state purchase price closer to the international mark – the fixed price at which the People's Bank purchases gold is 10 to 15 per cent below the international price – and to ease barriers to individual prospectors.



At Sanshandao gold mine, China's biggest, miners work 600m beneath the surface of the Bohai sea

In the past two years, thousands of small, privately and collectively-owned mines have proliferated, especially in provinces along the Yellow River, namely Shaanxi, Henan and Shandong, where much of China's official gold production is concentrated.

These mines, often dug adjacent to state-run mines in an attempt to tap into gold seams from existing operations, have added seriously to pollution of streams and waterways in an already fragile and over-taxed environment. The gold rush has also prompted a sharp increase in crime and thuggery among the gold-diggers themselves and those seeking to prey on them.

In Beijing, Mr Ai Dacheng, vice president of the Gold Bureau of the Ministry of Metallurgical Industry, said that the proliferation of small, illegal mines had become "rather serious". He attributed the problems partly to the 1993 increase in the state gold purchase price, which had made mining more feasible for small operators. "People, desperately, heedlessly, go after gold causing a great waste of resources and damage to the environment," he said.

The state council recently promulgated regulations strengthening bans on unauthorised mining, but so widespread is the practice, especially in remote areas, that it is proving difficult for the state to re-assert control.

Adding to the problem is the fact that local authorities, including the police themselves, are often hand in glove with local miners and benefit from the proceeds, either in the form of graft or as partners of these wildcat operators.

Chinese state television recently showed graphic film of attempts by police on the borders of Henan and Shanxi to shut down rogue mines. In some cases, explosives were used to seal mine entrances.

Mr Ai estimated that at the peak up to 300,000 people were "illegally involved" in mining. Since the crackdown, numbers were probably down to less than 200,000, but the problem was far from solved.

In the Yantai area, the local authorities have enacted their own regulations in an attempt to curb unauthorised mining, but as Mr Mao of the local gold bureau says: "it has become very profitable for people to become involved in the gold rush."

He estimates that some of the more successful small mines in the Yantai area are making up to Yn200,000 (US$25,000) a year, which is a fortune by Chinese standards. These are usually collectively-owned and are operating with state approval, but among them are some rogue miners.

Disruption caused by the appearance of illegal, "wildcat" mines is, however, far from the only problem bedevilling China's gold sector, which is struggling to emerge from years of heavy-handed state control and a purchase price held artificially low.

Gold's importance in Chinese mythology and nationalistic tendencies in the leadership appear to have stymied for the moment moves towards further liberalisation of the industry, and the opening of the sector to foreign involvement to make possible the Gold Bureau's recently-stated ambition of raising production by 50 per cent by the year 2000 from the present level of about 100 tonnes a year.

China at present ranks sixth behind South Africa, the US, Australia, Canada and Russia as a gold producer, but aims to be in the top three by 2010.

Western mining company representatives are sceptical about China achieving such a breakthrough under present policies, which permit foreign involvement in extracting and processing gold-bearing ore from existing marginal deposits but prevent foreigners engaging in exploration and developing new finds.

One representatives said there was "some puzzlement" as to why China, whose own demand for gold had risen sharply to an estimated 250 tonnes annually, was not pressing ahead more quickly with promised legislation that would facilitate foreign participation in the gold mining sector.

But the answer may lie in the words of an obviously frustrated Mr Ai of the gold bureau. "We have been urging the state council to open the gold sector," he said. "We believe there should be a gradual opening, but the problem is that we have not fully put the planned economy behind us or embraced the market economy.

"The head is in the planned economy and body in the market economy. Either you have total monopoly by the state or you enter the market. Something in between makes things rather difficult."

Guyana's troubled bauxite industry agrees supply deal with Alcan

By Canute James in Kingston

Guyana's state-owned bauxite industry is to sell 300,000 tonnes of ore to Alcan Aluminium, and is hoping to conclude an agreement to sell 100,000 tonnes a year to the Aluminum Company of America.

The bauxite bought by Alcan will be delivered over three years starting next March. The announcement of the contract by the office of Guyana's prime minister, said the agreement could be extended and the quantities increased, and indicated that that could be negotiated before the end of 1997.

There was no indication of the price Alcan would pay. The industry had earlier rejected a proposal from Alcan to buy 1m tonnes of ore a year at $15 a tonne, saying its production cost was $29 a tonne. Industry officials said yesterday, however, that the agreed price for the lower quantity was between $21 and $24 a tonne.

The agreement with Alcan was "particularly welcome" as demand and prices for bauxite had been depressed for many years, imposing "losses and hardship on the bauxite industry", said Mr Sam Hinds, Guyana's prime minister, who is responsible for mining.

The sale will be a fillip to Guyana's bauxite industry, which has been losing money as production has fallen in recent years. Last year production of all grades of bauxite (mainly metallurgical and calcined) fell by a third to 320,172 tonnes.

The industry was seeking a contract to sell about 100,000 tonnes a year to Alcoa, according to local officials. If an agreement was reached, the terms were likely to be similar to the Alcan agreement, they said.

Coffee break

The London Commodity Exchange's robusta coffee futures market will close an hour early today, at 4pm, so that market participants will have time to get to the annual coffee dinner at the Grosvenor House Hotel.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Oct	384.8	-0.4	385.1	384.8	623	50
Dec	387.0	-0.4	387.5	386.8	98,892	13,296

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	118.80	+0.40	118.80	116.40	2,080	148
Jan	119.05	+0.30	119.05	118.75	1,857	121

■ FREIGHT (BIFFEX) LCE ($10/index point)

Oct	1720	-10	1720	1710	614	55
Nov	1680	-10	1700	1680	565	132
Dec	1661	-17	1665	1660	92	2
Jan	1665	-15	1665	1660	1,169	80
Apr	1640	-15	1640	1640	731	100
Jul	1518	-7	-	-	171	-
Total					3,448	371

	Close	Prev
BFI	1760	1773

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	900	+9	906	899	26,029	2,506
Mar	929	+9	935	928	32,379	1,376

■ COTTON NYCE (50,000lbs; cents/lbs)

Dec	85.34	+0.66	85.50	82.69	31,347	4,245
Mar	85.80	+0.28	85.90	83.52	16,053	1,222
May	86.15	-0.25	86.40	84.40	6,966	209
Jul	86.25	-0.15	86.50	84.85	5,222	282
Oct	79.45	+0.30	79.10	79.10	1,324	5
Dec	75.50	-0.20	76.00	75.65	5,703	438
Total					67,715	6,538

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Nov	116.70	+1.65	116.90	113.90	10,017	1,185
Jan	118.75	+1.60	119.00	118.15	6,470	1,629
Mar	121.25	+1.05	121.35	119.20	2,540	184
May	123.00	+0.60	123.00	121.90	1,249	85
Jul	125.05	+0.15	-	-	501	4
Sep	127.05	+1.05	127.05	127.00	303	1
Total					23,343	3,102

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs: cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	66.075	+0.475	66.100	65.600	7,464	3,268
Dec	67.725	+0.400	67.750	67.275	28,196	5,146

Wool

Wool International again supplemented normal auction offerings with wool from Australia stockpile. Clearances were better than last week with more flexible pricing believed to be the reason. The market continued to decline, more sharply at opening sales, and the Eastern market indicator was back to the 600 cent level early in the week. This compares with a peak of 842 cents early in April, and is well below any price recorded during the 1994/95 season, though well above the lowest point in 1993 of about 400 cents. China's absence from the Australian market remains crucial, and availability of cheap and often inferior wool from the CIS is another unhelpful factor. Wool sold in New Zealand and the UK also fetched lower prices, with the NZ market indicator down 21 cents at 495 NZ cents a kg.

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Oct 12	Oct 11	month ago	year ago
2089.7	2075.0	2114.0	2081.6

■ CRB Futures (Base: 1967=100)

Oct 11	Oct 10	month ago	year ago
240.83	239.74	239.85	-

■ GSCI Spot (Base: 1970=100)

Oct 11	Oct 10	month ago	year ago
180.18	180.40	181.85	173.56

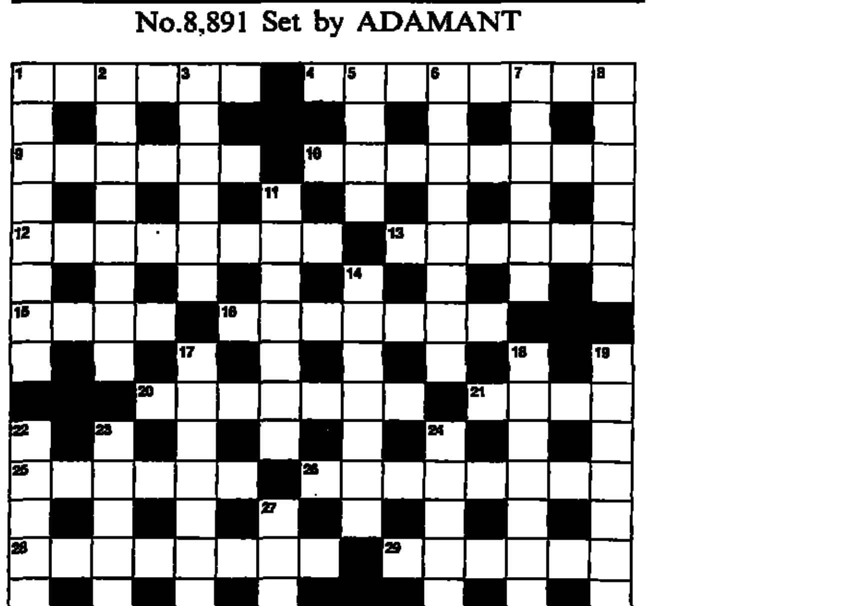
LONDON TRADED OPTIONS

LONDON SPOT MARKETS

JOTTER PAD

CROSSWORD

No.8,891 Set by ADAMANT



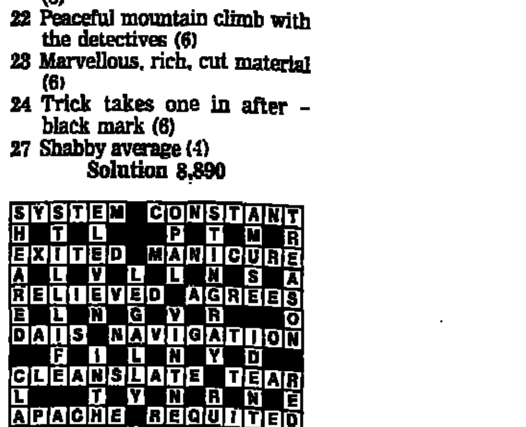
ACROSS

1 Shortage of woven thread (6)
4 Problem for girl caught between two men (8)
9 Decrepit tram bringing team back to bed (6)
10 Brush round everything where fancy footwork is expected (8)
12 It may depress fellow in a fine mess in church (8)
13 Bird flies off to cave (6)
15 Gateway to hotel on the curve (4)
16 A real virtuoso – most are bogus! (7)
20 Essential for police force to get support of ordinary people back (7)
21 Add spirit to the material (4)
25 All the clubs left the central arena with malaria (6)
26 Those not scratched from the courses (8)
28 Sang out that the girl was at Number One (8)
29 Good, for example, to return on carrier (6)
30 Proper setting for poster is on the primrose path (8)
31 The pulse is fast one originally learnt (6)

DOWN

1 The march upset the cart for the man of the people (8)
2 It is produced by man in turn after turn (8)
3 Split in race stand (6)
5 Frenchman cut up by test (4)
6 Handing over, in a manner of speaking (8)
7 Selecting circular one in between the two churches (6)
8 Men out of sorts with it have ultimate remedy of hostility (6)
11 During the imagination of childhood (7)
14 Working to spare the grass (7)
17 Older but confused and upset (8)
18 Evil creatures finally retreat to a lower level (8)
19 Put ones stamp on restricting an issue for part of the year (8)
22 Peaceful mountain climb with the detectives (6)
23 Marvellous, rich, cut material (6)
24 Trick takes one in after – black mark (6)
27 Shabby average (4)

Solution 8,890



INTERNATIONAL CAPITAL MARKETS

Gilts hit by signs of rising inflation

By Antonia Sharpe and Graham Bowley in London and Maggie Urry in New York

Signs of rising inflation in the UK dashed expectations of an early cut in UK interest rates and caused a sharp early sell-off in UK government bonds yesterday.

Gilts dropped by ¼ point after data showing 3.9 per cent retail price inflation last month, although they rallied later in the session as international markets moved higher.

The inflation data caused a sharp drop in short-dated bonds, which had rallied in recent sessions on hopes of an early cut in interest rates, and a flattening of the yield curve in the cash market.

The futures market also suffered, with short sterling contracts falling sharply before recovering as the US moved higher in the afternoon.

"The market is having to readjust to the prospect of there being no monetary policy easing in the near term," said Mr Huw Roberts, bond strategist at NatWest Markets.

The long gilt future on Liffe settled at 105¼, unchanged on the day.

■ Elsewhere in Europe, government bond markets were pulled higher in afternoon trading by evidence of weaker economic activity in the US.

French government bonds stabilised for a second day as tensions surrounding the franc eased and expectations rose that the Bank of France would cut the 24-hours funds rate. The rate was lifted to 7.25 per cent from 6.15 per cent last Friday to deter speculative selling of the franc.

However, analysts said that although the French market has survived its current mini-crisis, there was more volatility to come. Ms Katy Peters, senior economist at Daiwa, said scope for further improvement in French bonds was limited because of the unwillingness of public-sector unions to accept pay restraints.

"The market is asking itself when the next crisis will break," said Ms Peters.

GOVERNMENT BONDS

■ The fall of the coalition government in Austria unsettled the Austrian government bond market, where the spread over bunds rose to 51 basis points from 35 basis points. The yield on the benchmark 10-year government bond rose to 7.13 per cent from 6.98 per cent.

By contrast, receding political concerns helped the Italian government bond market which saw the spread over bunds dip below 520 basis points for first time since late September. The spread narrowed to 518 basis points from 526 basis points the day before.

■ The US Treasury market took yesterday's September producer price figures as further evidence that inflation remains subdued. After initially weakening on the PPI announcement, which at first sight looked higher than expected, the market quickly recovered to trade above Wednesday's closing levels.

Near midday, the benchmark 30-year Treasury was up ¼ at $106\frac{1}{32}$ to yield 6.413 per cent and the two-year note was up $\frac{1}{16}$ at $100\frac{1}{16}$, yielding 5.698 per cent. Trading was light.

Although the headline producer prices number of +0.3 per cent was above the consensus forecast of +0.2 per cent, further examination showed this was due to volatile food and energy prices. The core rate, excluding those two items, was in line with the average forecast for that index, which was also +0.2 per cent.

The release of the September consumer price index today is expected to confirm the trend of inflation remaining low. Stable prices are regarded as desirable by the fixed income market as inflation erodes the value of bonds.

Weekly initial jobless claims were in line with forecasts at 348,000, a 6,000 increase over a revised figure for the previous week, and had little impact on bonds.

The market also shrugged off a weakening of the dollar which followed the PPI release. The currency traded at Y100.15, down from Y101.03 on Wednesday night, and at DM 1.4180, down from DM 1.4255.

Gibson Greetings sanctioned by SEC

By Laurie Morse in Chicago

In an action that underscores regulators' views that companies must act responsibly in their derivatives dealings, the Securities and Exchange Commission sanctioned Gibson Greetings Corporation for failing to properly disclose profits and losses to shareholders, and for not having adequate internal controls.

The SEC did not impose a fine in the case, but issued a cease-and-desist order against the company, and required Gibson to improve risk controls and accounting methods for its derivative transactions.

This is believed to be the first US case where the purported "victim" of derivatives losses has been cautioned about reckless conduct. The SEC judgment comes almost a year after Bankers Trust settled an SEC complaint that it misled the Cincinnati-based company about the potential risks and rewards of the derivatives it sold.

Gibson lost \$20.7m in a series of derivatives trades it made with Bankers Trust. The trades allowed Gibson to speculate on the direction of interest rates. Regulators last November determined that Bankers Trust had used fraudulent sales practices in its dealings with Gibson, and the investment bank paid \$10m to settle the complaint. It also agreed to forgive about \$14.5m of Gibson's losses.

An SEC enforcement officer, Ms Colleen Mahoney, said that just because Bankers Trust engaged in fraud in selling the derivatives, Gibson was not absolved from the responsibility of having controls in place to properly account for the effects of the trades.

Gibson agreed to the SEC sanctions without acknowledging any wrong-doing.

Shanghai water plant gets limited recourse funding

By Louise Lucas in Hong Kong and Christopher Price in London

Thames Water and Bovis of the UK have formed a joint venture with the Shanghai municipal government to build a water treatment plant in the city.

The project is valued at \$73m, the financing of which will be on a limited-recourse basis – one of the first such loans in China. Under limited-recourse loans, banks extend a secured loan to a special-purpose vehicle without a guarantee from the parent company.

PROJECT FINANCE

The agreement is modelled on the build-operate-transfer (BOT) scheme, a type of government privatisation whereby a private sector company is awarded a concession to build and operate a public sector project for a fixed period.

BOT is seen as the answer to Asia's infrastructure problems because it gives governments access to private sector funds and technology. However, they have failed to catch on in China, largely due to the central government's reluctance to provide loan guarantees.

There are only a handful of limited-recourse financing structures in China, and bankers argue that none of these are truly limited-recourse. These include the Shajiao B and Shajiou C power plants installed by Mr Gordon Wu's Hopewell Holdings, which have limited convertibility guarantees, and the Nanhai power plant, in which Mr Li Ka-shing's Cheung Kong has an interest and which is partially guaranteed by the provincial government of Guangdong.

The absence of guarantees, at central or provincial government level, has deterred foreign investors and been responsible for the moth-balling of hundreds of infrastructure projects. Beijing is also wary of the foreign ownership implied by BOT – even if it is only temporary – in strategic industries such as telecoms and transport.

For investors, guarantees are necessary to reduce the risks of running a project in China, for example on foreign exchange. Income on these projects is generally in yuan, which is not a fully convertible currency. However, bankers believe the water plant deal will be attractive, in spite of the lack of guarantees, and may encourage more BOT projects in China.

Some \$54m is being raised, representing 70 per cent of the project, and syndication is likely to be restricted to a few banks that already have a relationship with the sponsors.

Barclays Bank, Standard Chartered, and Crédit Lyonnais, which are arranging the financing, believe there are sufficient risk-mitigating factors in the deal. The concession, which will operate for 20 years, is itself a monopoly business.

● Thames Water is also sponsoring a water supply project in Turkey, which the arranging bank Chase says is one of the first Turkish deals to be financed on a BOT basis, writes Antonia Sharpe in London.

The deal has total financing of \$942m, made up of \$803m in senior debt and \$139m of equity and standby equity. Most of the senior debt has been provided by UK, French and Japanese government agencies, but \$167m is in the form of a commercial loan tranche of pure Turkish risk.

Eletrobrás launches first tranche of two-stage deal

By Jonathan Wheatley in Sao Paolo and Conner Middelmann in London

The eurobond market yesterday saw the successful completion of global dollar bonds for the Asian Development Bank and Abbey National, as well as two Brazilian issues.

INTERNATIONAL BONDS

Eletrobrás, Brazil's state-owned electricity holding company, issued \$100m in the first tranche of a two-stage issue via ABN-Amro. A further \$100m will be raised through yen-denominated bonds today or early next week. The company expects both tranches to be increased by 50 per cent.

Mr Paulo Roberto Ribeiro Pinto, Eletrobrás's financial director, said the issue was the biggest ever by a Brazilian company and the first to be denominated in both dollars and yen. He said the money raised will be used to clear domestic debts. The three-year bonds, which have a put option after two years, yield 420 basis points over two-year Treasuries.

Globopar, the holding company of the Globo television and publishing group, issued \$100m – later increased to \$125m – in eight-year bonds via Chemical Bank. The proceeds are also to be used for debt clearance. The bonds yield 500 basis points above US Treasuries to the two-year put.

Increasing investor confidence in Brazil has led to a flurry of eurobond issues in recent months. With domestic interest rates at about 30 per cent, banks and companies with international standing are keen to borrow overseas.

The Brazilian government returned to the market in May after a 15-year absence following the Latin American debt crisis. It raised more than \$1.6bn in two issues and is preparing further issues of \$5bn.

The ADB's \$750m issue of 10-year global bonds was priced at 25 basis points over US Treasuries. According to lead managers Daiwa Europe and Morgan Stanley, the deal saw strong international demand and was oversubscribed.

Abbey National's \$750m issue of 10-year global subordinated notes, priced at 63 basis points over Treasuries, also got a warm welcome from a broad range of investors, the bank said. Goldman Sachs and Lehman Brothers led the issue.

Late in the day, Depfa, Germany's largest mortgage bank, made a jumbo DM2bn issue of Pfandbrief – mortgage-backed bonds which used to be sold to domestic investors but have lately been groomed for a more international appeal.

Elsewhere, Irish Life Homeloans plans to issue an I£100m mortgage-backed floating-rate bond in the next two weeks, the first true mortgage securitisation in Ireland, according to lead manager NatWest Markets.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Chemical Master Credit†(c)	750	b)	100	Oct.1998	-	-	Chemical Securities
Chemical Master Credit(c)	600	6.23	-	Jun.2003	-	-	Chemical Securities
Asian Development Bank	750	6.25	99.38R	Oct.2005	0.325R	+25 (6½-05)	Daiwa /Morgan Stanley
Electrobras	100	10.0	99.125R	Oct.1998	0.875R	-	ABN Amro Hoare Govett
Globo Participacoes	125	10.75	100R	Oct.2003	1.00R	-	Chemical Invs. Bank
D-MARKS							
Euro. Hypothekenbank	100	(a)	102.05	Oct.2002	2.25	-	Deutsche Bank
PUNTS							
Kredietbank Intl. Fin.	45	7.75	88.729R	Nov.1995	1.875R	-	Kredietbank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. +Unlisted. §Convertible. ◊With equity warrants. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a. Callable at par Oct.1998. Pays 5.50% for years 1-3, thereafter pays 7.75%. b) pays 1 month Libor plus 12bp. c) Issued 11/10/1995 priced today.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		7.500	07/05	92.8600	+0.070	8.59	8.70	8.91
Austria		6.875	06/05	98.5300	-0.650	7.08	6.95	6.92
Belgium		6.500	03/05	95.6300	+0.200	7.16	7.07	7.13
Canada *		8.750	12/05	107.1000	-0.200	7.72	7.63	7.90
Denmark		7.000	12/04	94.0400	+0.180	7.93	7.89	7.95
France	BTAN	7.750	04/00	103.5000	-	6.87	6.73	6.54
	OAT	7.750	10/05	101.3800	+0.020	7.55	7.50	7.32
Germany Bund		6.875	05/05	101.7800	-0.050	6.61	6.58	6.63
Ireland		6.250	10/04	87.4500	-0.150	8.28	8.17	8.19
Italy		10.500	04/05	94.4900	+0.400	11.47†	11.51	11.48
Japan	No 129	6.400	03/00	119.9730	+0.162	1.57	1.46	1.93
	No 174	4.600	09/04	113.3740	+0.321	2.74	2.55	3.09
Netherlands		7.000	06/05	102.1800	-0.020	6.68	6.63	6.64
Portugal		11.875	02/05	103.3500	+0.200	11.25	11.18	11.28
Spain		10.000	02/05	94.3500	-0.010	10.98	10.65	11.05
Sweden		6.000	02/05	79.4500	+0.160	9.40	9.34	10.17
UK Gilts		8.000	12/00	101-11	-6/32	7.67	7.45	7.46
		8.500	12/05	102-11	+1/32	8.15	8.04	7.94
		9.000	10/08	105-26	-1/32	8.26	8.15	8.02
US Treasury *		6.500	08/05	103-01	+5/32	6.08	6.10	6.23
		6.875	08/25	106-00	+11/32	6.42	6.41	6.61
ECU (French Govt)		7.500	04/05	97.9200	-0.020	7.81	7.76	7.62

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.50	Two year	5.71
Prime rate	8¾	Two month	5.54	Three year	5.79
Broker loan rate	7½	Three month	5.46	Five year	5.89
Fed.funds	$5\frac{13}{16}$	Six month	5.56	10-year	6.06
Fed.funds at intervention	$5\frac{13}{16}$	One year	5.59	30-year	6.42

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	115.12	115.18	+0.02	115.28	114.94	143,126	97,7388
Mar	114.62	114.64	-0.02	114.70	114.50	1,768	4,453
Jun	114.82	114.72	-0.12	114.80	114.66	145	1,430

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Mar
114	-	-	-	0.13	0.54	-
115	0.60	1.06	1.39	0.42	0.88	1.68
116	0.17	0.58	0.93	-	1.38	-
117	0.03	0.27	0.61	-	2.07	-
118	-	0.10	0.36	-	-	-

Est. vol. total, Calls 14,311 Puts 26,198. Previous day's open int., Calls 144,039 Puts 155,674.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.52	95.49	+0.02	95.60	95.25	125039	187544
Mar	94.82	94.91	+0.03	94.90	94.72	301	4415

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
9500	0.66	0.97	0.82	1.15	0.17	0.48	0.91	1.24
9550	0.35	0.68	0.59	0.92	0.36	0.69	1.19	1.51
9600	0.16	0.46	0.42	0.72	0.67	0.97	1.51	1.81

Est. vol. total, Calls 16941 Puts 6412. Previous day's open int., Calls 201329 Puts 167210

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	102.11	102.41	+0.45	102.45	101.66	39569	46428
Mar	101.80	102.06	+0.45	101.90	101.80	550	45

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
10200	1.52	2.45	1.11	2.39
10250	1.27	2.21	1.36	2.65
10300	1.04	1.99	1.63	2.93

Est. vol. total, Calls 1587 Puts 2521. Previous day's open int., Calls 38715 Puts 42701

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF) (Oct 11)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	88.10	88.38	+0.17	88.42	88.04	32,364	29,589
Mar	87.95	88.35	-0.40	87.95	87.95	1	8

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	105-08	105-04	-	105-09	104-21	74407	99521
Mar	104-07	104-18	-	104-07	104-07	10	266

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
105	0-46	1-13	1-13	1-51	0-38	1-05	1-41	2-15
106	0-19	0-48	0-52	1-24	1-11	1-40	2-16	2-52
107	0-06	0-27	0-34	1-02	1-62	2-19	2-62	3-30

Est. vol. total, Calls 2944 Puts 1671. Previous day's open int., Calls 34637 Puts 30405

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	88.30	88.26	-0.04	88.34	88.20	1,160	8,256

US

■ US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	115-19	115-27	+0-07	115-31	115-09	144,412	349,095
Mar	115-07	115-14	+0-06	115-18	115-00	1,352	15,934
Jun	115-00	115-01	+0-07	115-03	115-00	21	3,441

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	120.71			120.84	120.66	1968	0
Mar	119.61			119.75	119.61	65	0

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price indices UK Gilts	Thu Oct 12	Day's change %	Wed Oct 11	Accrued interest	xd adj. ytd		Low coupon yield Oct 12	Oct 11	Yr. ago	Medium coupon yield Oct 12	Oct 11	Yr. ago	High coupon yield Oct 12	Oct 11	Yr. ago
1 Up to 5 years (23)	121.52	-0.07	[illegible]	1.53	8.66	5 yrs	7.71	7.70	8.44	7.72	7.70	8.52	7.81	7.80	8.65
2 5-15 years (21)	144.11	[illegible]	144.07	2.00	9.78	15 yrs	8.28	8.29	8.43	8.32	8.32	8.55	8.40	8.41	8.78
3 Over 15 years (5)	159.11	-0.02	159.07	2.76	9.84	20 yrs	8.33	8.33	8.39	8.37	8.37	8.55	8.43	8.44	8.65
4 Irredeemables (6)	181.57	+0.23	181.16	3.91	8.93	Irred.†	8.42	8.44	8.51						
5 All stocks (59)	139.94	-	139.95	2.03	9.54										

Index-linked							Inflation 5% Oct 12	Oct 11	Yr. ago	Inflation 10% Oct 12	Oct 11	Yr. ago
6 Up to 5 years (1)	192.24	+0.15	191.95	-0.33	8.37	Up to 5 yrs	3.30	3.33	3.82	2.10	2.28	2.59
7 Over 5 years (11)	183.53	+0.13	183.30	1.02	4.00	Over 5 yrs	3.76	3.76	3.84	3.54	3.57	3.63
8 All stocks (12)	183.60	+0.13	183.37	0.98	4.10							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Oct 12	Oct 11	Oct 10	Oct 9	Oct 6	Yr ago	High*	Low*
Govt. Secs. (UK)	92.60	92.63	92.78	92.94	93.11	91.73	95.51	90.22
Fixed interest	110.90	110.92	111.04	111.44	111.55	108.22	114.66	108.77

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Oct 11	Oct 10	Oct 9	Oct 6	Oct 5
Gilt Edged bargains	80.8	89.5	73.5	84.6	72.0
5-day average	80.1	79.4	79.5	79.7	79.7

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on October 12

U.S. DOLLAR STRAIGHTS / DEUTSCHE MARK STRAIGHTS / SWISS FRANC STRAIGHTS / YEN STRAIGHTS / OTHER STRAIGHTS / FLOATING RATE NOTES / CONVERTIBLE BONDS

[illegible]

© The Financial Times Ltd, 1995. Reproduction in whole or in part in any form not permitted without written consent. Data supplied by International Securities Market Association.

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

CURRENCIES AND MONEY

MARKETS REPORT

UK inflation outlook dominates London trading

By Philip Gawith

UK interest rate markets were the focus of attention yesterday after the release of much worse than expected retail inflation figures.

Short sterling interest rate futures fell sharply on the news, with retail inflation rising to 3.9 per cent, the highest level in two years. They later regained some of these losses when closer examination suggested that the outlook for inflation was better than this figure suggested. Volumes were the heaviest seen in many weeks, and price fluctuations were volatile.

After slipping as low as 93.16, the March 1996 contract recovered to close in London at 93.25, from Wednesday's close of 93.38.

Foreign exchange markets had a quiet day, with the dollar confined to a range, and the French franc making further gains after coming under selling pressure earlier in the week.

The dollar finished in London at DM1.4223, from DM1.4249, while the yen closed at Y100.245 from Y100.855. Against the D-Mark the franc closed at FFr3.483, from FFr3.487

Sterling was barely changed against the dollar, at $1.5724, from $1.5731, while against the D-Mark it closed slightly lower at DM2.2364, from DM2.2415.

■ Although the French franc did fall below FFr3.48, *this did* not last long, and it spent most of the day trading around FFr3.4850. Analysts said that it looked like this level was being established as the bottom of a new trading range.

Despite the Franc's rebound this week, there remains considerable scepticism about the outlook for the currency. Following the news that Mr Michael Steinhardt, one of the leading hedge fund managers, is stopping trading, one industry figure in New York noted that the industry would always have a future "so long as the French government continues to behave the way it is."

Whatever the accuracy of that judgment, there can be little doubt that many influential hedge fund investors are extremely sceptical about the single currency project and, more immediately, are aggressive bears on the franc.

One currency which looks like it may run into similar trouble to the franc, is the Swedish krona. Ms Mona Sahlin, the SDP's sole candidate so far to succeed Mr Ingvar Carlsson when he steps down in March, has been in trouble for careless use of an official credit card – a similar type of allegation to that levelled at Mr Alain Juppe, the French prime minister, about his use of subsidised housing in Paris.

Mr Jeremy Hawkins, chief economist at the Bank of America in London, said: "It looks like there could be every possibility that the krona comes under the same political attack the franc has."

■ Another currency which has entered onto the edge of currency traders' radar is the Austrian schilling following the collapse of the government, with elections to be held three years ahead of schedule.

So far the schilling, which is very closely tied to the D-Mark, has avoided coming under speculative pressure. The central bank issued a statement saying that the collapse of budget talks would not affect monetary policy, or threaten the schilling.

Mr Hawkins said it would be a "brave person" who challenged the stability of the D-Mark/schilling link. But he added: "We live in a world where currencies are being priced on the fiscal situation and political uncertainties, and Austria fits into both of these negative categories."

He said there was no sign of a currency crisis, but if the link was ever going to be threatened, now was the time.

■ The UK retail inflation figures were a big disappointment which prompted some heavy selling in the futures market. Sentiment was not helped when Mr Kenneth Clarke, the chancellor, later said he would raise interest rates to combat inflation, if necessary.

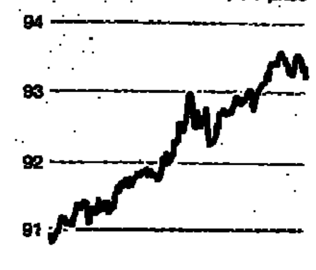
Later some buying emerged when markets decided that this was probably as bad as the inflation figures would get.

Mr Peter Osler, senior economist at brokers GNI, said the market had taken comfort from various forward looking indicators which suggested inflation pressures may be abating.

In its daily operations the Bank of England provided £845m assistance towards clearing a £850m money market shortage.

Short sterling

March'96 Future Contract, bid price



Source: FT Extel

■ **Pound in New York**

Oct 12	Latest	Prev. close
£ spot	1.5760	1.5720
1 mth	1.5748	1.5708
3 mth	1.5726	1.5687
1 yr	1.5605	1.5577

■ **OTHER CURRENCIES**

Oct 12	£	$
Czech Rp	41.3787 - 41.4302	26.3240 - 26.3400
Hungary	205.888 - 206.097	130.980 - 131.030
Iran	4718.70 - 4715.70	3000.00 - 3000.00
Kuwait	0.4717 - 0.4728	0.3001 - 0.3006
Poland	3.8454 - 3.8520	2.4470 - 2.4490
Russia	7081.20 - 7081.41	4502.00 - 4505.00
U.A.E.	5.7730 - 5.7774	3.6726 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Oct 12		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.7376	-0.0353	287 - 465	15.7989	15.7066	15.7072	2.3	15.6486	2.3	-	-	107.0
Belgium	(BFr)	45.9849	-0.1455	624 - 073	46.2010	45.9110	45.8899	2.5	45.6999	2.5	44.9849	2.2	109.6
Denmark	(DKr)	8.6718	-0.022	667 - 769	8.7117	8.6564	8.6641	1.1	8.6476	1.1	8.5851	1.0	110.3
Finland	(FM)	6.7465	-0.0266	384 - 545	6.7900	6.7440	6.7421	0.8	6.734	0.7	-	-	88.1
France	(FFr)	7.7870	-0.0306	833 - 906	7.8155	7.7805	7.7939	-1.1	7.7995	-0.6	7.7941	-0.1	109.4
Germany	(DM)	2.2364	-0.0051	352 - 376	2.2469	2.2310	2.2313	2.8	2.2219	2.6	2.1809	2.5	112.2
Greece	(Dr)	366.920	-2.066	724 - 115	369.703	366.584	-	-	-	-	-	-	67.3
Ireland	(I£)	0.9776	+0.0005	767 - 785	0.9788	0.9767	0.9768	1.0	0.9755	0.9	0.9723	0.5	97.5
Italy	(L)	2517.65	-10.99	583 - 947	2529.49	2515.17	2524.9	-3.5	2539.8	-3.5	2607.95	-3.6	70.2
Luxembourg	(LFr)	45.9849	-0.1455	624 - 073	46.2010	45.9110	45.8899	2.5	45.6999	2.5	44.9849	2.2	109.6
Netherlands	(Fl)	2.5038	-0.0076	025 - 050	2.5165	2.4993	2.4973	3.1	2.4854	2.8	2.4402	2.5	109.6
Norway	(NKr)	9.8232	-0.0449	173 - 291	9.8769	9.8012	9.8106	1.5	9.7889	1.4	9.7134	1.1	99.8
Portugal	(Es)	235.074	-0.278	921 - 227	235.726	233.070	235.614	-2.8	236.834	-3.0	-	-	95.5
Spain	(Pta)	192.446	-1.879	291 - 602	193.619	192.291	192.946	-3.1	193.886	-3.0	198.286	-3.0	81.4
Sweden	(SKr)	10.9209	-0.0237	099 - 318	10.9528	10.8958	10.9231	-0.2	10.9276	-0.2	10.951	-0.3	82.8
Switzerland	(SFr)	1.8146	-0.0026	133 - 159	1.8260	1.8109	1.8075	4.7	1.7956	4.2	1.7427	4.0	115.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.2
Ecu	-	1.2150	-0.007	143 - 157	1.2213	1.2141	1.2139	1.1	1.2117	1.1	1.2023	1.0	-
SDR	-	1.055600	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5722	-0.0007	716 - 727	1.5745	1.5685	-	-	-	-	-	-	-
Brazil	(R$)	1.5061	-0.0016	054 - 068	1.5063	1.5028	-	-	-	-	-	-	-
Canada	(C$)	2.1051	+0.003	040 - 061	2.1107	2.1004	2.1042	0.5	2.104	0.2	2.1091	-0.2	85.4
Mexico	(New Peso)	10.5744	-0.0205	553 - 935	10.5989	10.5346	-	-	-	-	-	-	-
USA	($)	1.5724	-0.0007	719 - 729	1.5748	1.5687	1.5712	0.9	1.569	0.9	1.5574	1.0	92.7
Pacific/Middle East/Africa													
Australia	(A$)	2.0725	+0.012	705 - 745	2.0747	2.0705	2.0738	-0.8	2.0768	-0.8	2.0914	-0.9	86.7
Hong Kong	(HK$)	12.1567	-0.0053	520 - 613	12.1748	12.1290	12.1532	0.3	12.1408	0.5	12.1072	0.4	-
India	(Rs)	53.3908	+0.1256	581 - 235	53.4580	53.1870	-	-	-	-	-	-	-
Israel	(Shk)	4.7142	-0.0085	091 - 193	4.7260	4.7073	-	-	-	-	-	-	-
Japan	(Y)	157.625	-1.03	504 - 746	159.150	157.270	156.71	7.0	155.1	6.4	148.175	6.0	143.4
Malaysia	(M$)	3.9998	+0.0049	977 - 018	4.0042	3.9908	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3762	-0.0068	745 - 778	2.3800	2.3745	2.3821	-3.0	2.3914	-2.6	2.417	-1.7	101.4
Philippines	(Peso)	40.7724	-0.0575	122 - 325	40.8325	40.7122	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8975	-0.0024	954 - 995	5.9060	5.8836	-	-	-	-	-	-	-
Singapore	(S$)	2.2383	-0.0013	368 - 398	2.2449	2.2341	-	-	-	-	-	-	-
South Africa	(R)	5.7475	+0.0021	445 - 505	5.7607	5.7380	-	-	-	-	-	-	-
South Korea	(Won)	1208.00	-0.08	753 - 846	1209.76	1205.23	-	-	-	-	-	-	-
Taiwan	(T$)	42.2992	-0.0243	747 - 236	42.3983	42.2063	-	-	-	-	-	-	-
Thailand	(Bt)	39.4673	-0.049	390 - 955	39.5680	39.3820	-	-	-	-	-	-	-

† Rates for Oct 11. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 12		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	10.0087	-0.0179	062 - 111	10.0400	9.9975	9.9936	1.8	9.9634	1.8	9.8542	1.5	107.0
Belgium	(BFr)	29.2450	-0.0795	400 - 500	29.3800	29.2220	29.204	1.7	29.125	1.6	28.825	1.4	109.1
Denmark	(DKr)	5.5150	-0.0115	135 - 165	5.5415	5.5095	5.5157	-0.2	5.5115	0.3	5.521	-0.1	109.4
Finland	(FM)	4.2906	-0.015	868 - 943	4.3254	4.2868	4.2902	0.1	4.2891	0.1	4.2846	0.1	87.0
France	(FFr)	4.9523	-0.0172	515 - 530	4.9700	4.9501	4.9608	-2.1	4.9708	-1.5	4.9923	-0.8	108.9
Germany	(DM)	1.4223	-0.0026	220 - 226	1.4287	1.4205	1.4201	1.9	1.4157	1.8	1.3972	1.8	111.5
Greece	(Dr)	233.350	-1.21	300 - 400	235.180	233.150	235.075	-8.9	238.275	-8.4	251.75	-7.9	66.5
Ireland	(I£)	1.6084	-0.0016	074 - 094	1.6105	1.6035	1.6086	-0.1	1.6087	-0.1	1.6152	-0.4	-
Italy	(L)	1601.15	-6.28	050 - 180	1607.50	1599.25	1607.9	-5.1	1619.95	-4.7	1677.15	-4.7	69.4
Luxembourg	(LFr)	29.2450	-0.0795	400 - 500	29.3800	29.2220	29.204	1.7	29.125	1.6	28.825	1.4	109.1
Netherlands	(Fl)	1.5923	-0.0042	920 - 926	1.5996	1.5907	1.5897	2.0	1.5846	1.9	1.5646	1.7	108.9
Norway	(NKr)	6.2473	-0.0257	455 - 490	6.2825	6.2405	6.2435	0.7	6.2373	0.6	6.2273	0.3	98.6
Portugal	(Es)	149.500	-0.11	450 - 550	149.910	148.000	149.965	-3.7	150.975	-3.9	155.6	-4.1	95.8
Spain	(Pta)	122.390	-1.14	330 - 450	123.050	122.330	122.77	-3.7	123.54	-3.8	127.035	-3.8	80.6
Sweden	(SKr)	6.9454	-0.0119	406 - 501	6.9673	6.9250	6.9629	-3.0	6.9994	-3.1	7.1679	-3.2	82.3
Switzerland	(SFr)	1.1541	-0.0012	536 - 545	1.1605	1.1525	1.1505	3.7	1.1444	3.4	1.1168	3.2	115.2
UK	(£)	1.5724	-0.0007	719 - 729	1.5748	1.5687	1.5712	0.9	1.569	0.9	1.5574	1.0	83.9
Ecu	-	1.2942	+0.0068	938 - 945	1.2954	1.2880	1.2946	-0.4	1.2953	-0.3	1.2976	-0.3	-
SDR†	-	0.68880	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9995	-	-	-	-	-	-	-
Brazil	(R$)	0.9579	-0.0005	577 - 580	0.9580	0.9577	-	-	-	-	-	-	-
Canada	(C$)	1.3388	+0.0025	385 - 390	1.3415	1.3353	1.3393	-0.4	1.3406	-0.5	1.3506	-0.9	84.5
Mexico	(New Peso)	6.7250	-0.01	150 - 350	6.7350	6.6900	6.7272	-0.4	6.7304	-0.3	6.7353	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	93.9
Pacific/Middle East/Africa													
Australia	(A$)	1.3180	+0.0082	172 - 189	1.3211	1.3172	1.3198	-1.6	1.3234	-1.6	1.3431	-1.9	88.3
Hong Kong	(HK$)	7.7313	+0.0001	308 - 318	7.7318	7.7308	7.7329	-0.2	7.7348	-0.2	7.755	-0.3	-
India	(Rs)	33.9550	+0.095	450 - 650	33.9650	33.8500	34.105	-5.3	34.41	-5.4	35.88	-5.7	-
Israel	(Shk)	2.9981	-0.0041	958 - 004	3.0040	2.9958	-	-	-	-	-	-	-
Japan	(Y)	100.245	-0.61	200 - 290	101.230	99.9800	99.75	5.9	98.83	5.6	94.855	5.3	143.0
Malaysia	(M$)	2.5437	+0.0042	432 - 442	2.5446	2.5398	2.5437	0.0	2.544	-0.1	2.5517	-0.3	-
New Zealand	(NZ$)	1.5110	-0.0037	106 - 117	1.5149	1.5105	1.5151	-3.3	1.5226	-3.1	1.5473	-2.4	-
Philippines	(Peso)	25.9300	-0.025	000 - 600	25.9600	25.9000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	+0.0001	505 - 507	3.7507	3.7505	3.7511	-0.2	3.752	-0.1	3.7551	-0.1	-
Singapore	(S$)	1.4235	-0.0002	230 - 240	1.4270	1.4213	1.4201	2.9	1.4138	2.7	1.389	2.4	-
South Africa	(R)	3.6553	+0.003	545 - 560	3.6635	3.6530	3.6806	-8.3	3.7306	-8.2	3.9618	-8.4	-
South Korea	(Won)	768.250	+0.3	200 - 300	768.900	767.600	771.25	-4.7	774.75	-3.4	793.25	-3.3	-
Taiwan	(T$)	26.9010	-0.0035	940 - 080	26.9300	26.8870	26.921	-0.9	26.961	-0.9	-	-	-
Thailand	(Bt)	25.1000	-0.02	900 - 100	25.1340	25.0900	25.1875	-4.2	24.835	4.2	26.055	-3.8	-

† SDR rate per $ for Oct 11. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct 11. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

October 12	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅛	4⅛	4 3/16	4 3/16	4⅛	8.00	3.50	-
week ago	4 1/16	4⅛	4⅛	4⅛	4¼	8.00	3.50	-
France	6¼	6 15/16	7	6 13/16	6 3/16	5.00	-	7.25
week ago	5⅝	6 15/16	6 5/16	6¼	6¼	5.00	-	6.15
Germany	4⅛	4⅛	4	4	4	5.50	3.50	4.03
week ago	4⅛	4⅛	4	4	4	5.50	3.50	4.05
Ireland	5 7/16	5 11/16	5 13/16	6⅛	6 3/16	-	-	6.25
week ago	5 11/16	5 11/16	5 13/16	5⅞	6¼	-	-	6.26
Italy	10 5/16	10 7/16	10½	10 9/16	10⅝	-	9.00	10.36
week ago	10 5/16	10 5/16	10 9/16	10⅝	10⅝	-	9.00	10.36
Netherlands	3 13/16	3⅞	3 15/16	3 15/16	4 1/16	-	3.50	3.80
week ago	3 13/16	3⅞	3⅞	3⅞	4 1/16	-	3.50	3.80
Switzerland	1⅞	2⅛	2¼	2 5/16	2 5/16	5.00	2.00	-
week ago	2 1/16	2⅛	2⅜	2⅜	2⅜	5.00	2.00	-
US	5 13/16	5 13/16	5⅞	5 13/16	5 13/16	-	5.25	-
week ago	5¾	5 13/16	5 13/16	5 13/16	5 13/16	-	5.25	-
Japan	½	7/16	¼	¼	¼	-	0.50	-
week ago	11/32	3/16	¼	¼	17/32	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅞	5 15/16	5 25/32	5⅝	-	-	-
week ago	-	5⅞	5 15/16	5 25/32	5⅞	-	-	-
US Dollar CDs	-	5.61	5.60	5.60	5.54	-	-	-
week ago	-	5.61	5.60	5.60	5.55	-	-	-
ECU Linked Ds	-	5 21/32	5 25/32	5 25/32	5⅝	-	-	-
week ago	-	5 21/32	5 11/16	5 21/32	5⅝	-	-	-
SDR Linked Ds	-	3 25/32	3 21/32	3 21/32	3 21/32	-	-	-
week ago	-	3 25/32	3 21/32	3 25/32	3 21/32	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Oct 12	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 7/16 - 4 1/16	4 3/16 - 4 1/16	4 3/16 - 4 3/16	4⅜ - 4¼	4 7/16 - 4 5/16	4½ - 4⅜
Danish Krone	6½ - 6¼	5⅝ - 5⅛	5 11/16 - 5½	5¾ - 5⅝	5⅞ - 5⅝	5 15/16 - 5 11/16
D-Mark	4⅛ - 4	4⅛ - 4	4 1/16 - 3 15/16	4 1/16 - 3 15/16	4 1/16 - 3 15/16	4 1/16 - 3 15/16
Dutch Guilder	3 15/16 - 3 13/16	3 15/16 - 3 13/16	3 31/32 - 3 29/32	3 31/32 - 3 29/32	4 1/32 - 3 31/32	4 1/16 - 3 31/32
French Franc	6 - 5½	6⅝ - 6⅜	7⅛ - 6⅞	7⅛ - 6⅞	7⅛ - 6⅞	6 9/16 - 6 7/16
Portuguese Esc.	8 15/16 - 8 13/16	8⅞ - 8¾	9⅛ - 9	9¼ - 9⅛	9 7/16 - 9 5/16	9¾ - 9½
Spanish Peseta	9½ - 9⅜	9½ - 9⅜	9 17/32 - 9 13/32	9 19/32 - 9 15/32	9⅝ - 9½	9 13/16 - 9 9/16
Sterling	6 11/16 - 6 9/16	6 11/16 - 6 9/16	6 25/32 - 6 23/32	6 13/16 - 6¾	6⅞ - 6 13/16	6 31/32 - 6 29/32
Swiss Franc	2 - 1⅞	2 1/16 - 1 15/16	2 3/16 - 2 1/16	2 3/16 - 2 3/16	2⅜ - 2¼	2⅜ - 2¼
Can. Dollar	6 7/16 - 6¼	6 3/16 - 6	6¼ - 6⅛	6 7/16 - 6 5/16	6 9/16 - 6 7/16	6⅝ - 6½
US Dollar	5 13/16 - 5 11/16	5 13/16 - 5 11/16	5¾ - 5⅝	5⅞ - 5¾	5 13/16 - 5 11/16	5 13/16 - 5⅝
Italian Lira	8 7/16 - 8 5/16	10 7/16 - 10 5/16	10 7/16 - 10 5/16	10 17/32 - 10 13/32	10⅝ - 10½	10 11/16 - 10 7/16
Yen	9/16 - ½	7/16 - 5/16	⅜ - ¼	7/16 - 5/16	7/16 - 5/16	⅜ - ¼
Asian $Sing	2¼ - 2⅛	2¾ - 2⅝	2 13/16 - 2 11/16	2 13/16 - 2 11/16	2⅞ - 2¾	3⅛ - 3

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris Interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.07	93.21	+0.17	93.25	92.95	60,250	39,465
Mar	93.93	93.97	+0.09	94.01	93.87	11,847	27,559
Jun	94.33	94.33	-0.01	94.37	94.27	10,266	24,126

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.02	96.02	-	96.03	95.98	25102	140842
Mar	96.08	96.10	+0.01	96.11	96.03	43781	164405
Jun	95.98	95.98	+0.01	95.99	95.91	28233	119685
Sep	95.77	95.76	-	95.78	95.70	18759	88991

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	89.45	89.49	+0.04	89.52	89.40	10817	33676
Mar	89.80	89.80	-	89.83	89.74	1748	23515
Jun	89.92	89.95	+0.03	89.95	89.88	882	13054
Sep	89.88	89.93	+0.03	89.94	89.86	278	7738

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	97.66	97.63	-0.03	97.66	97.61	3092	24365
Mar	97.70	97.67	-0.05	97.72	97.65	3372	15128
Jun	97.57	97.57	-0.05	97.61	97.55	637	5361
Sep	97.37	97.38	-0.05	97.43	97.37	90	2740

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.28	94.30	+0.02	94.32	94.22	2033	8659
Mar	94.46	94.48	+0.02	94.51	94.42	521	3992
Jun	94.46	94.47	+0.01	94.49	94.44	131	2557
Sep	94.26	94.32	+0.02	94.27	94.26	8	1451

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
8925	0.52	0.91	1.10	0.28	0.36	0.40
8950	0.36	0.74	0.93	0.37	0.44	0.48
8975	0.24	0.58	0.78	0.50	0.53	0.58

Est. vol. total, Calls 650 Puts 200. Previous day's open int., Calls 12599 Puts 5948

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Oct 12		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.86	16.94	4.863	2.125	5474	5.446	21.36	511.3	418.4	23.75	3.947	2.175	4.578	3.419	342.8	2.642
Denmark	(DKr)	53.02	10	8.979	2.578	1.127	2902	2.887	11.33	271.1	221.9	12.59	2.093	1.153	2.427	1.813	181.7	1.401
France	(FFr)	59.05	11.14	10	2.871	1.255	3232	3.216	12.61	301.9	247.1	14.02	2.331	1.284	2.703	2.019	202.4	1.560
Germany	(DM)	20.56	3.878	3.483	1	0.437	1126	1.120	4.393	105.1	86.05	4.884	0.812	0.447	0.941	0.703	70.48	0.543
Ireland	(I£)	47.06	8.876	7.970	2.289	1	2576	2.563	10.05	240.6	196.9	11.18	1.858	1.024	2.155	1.609	161.3	1.244
Italy	(L)	1.827	0.345	0.309	0.089	0.039	100.	0.099	0.390	9.340	7.644	0.434	0.072	0.040	0.084	0.062	6.261	0.048
Netherlands	(Fl)	18.36	3.463	3.110	0.893	0.390	1005	1	3.923	93.89	76.84	4.361	0.725	0.399	0.841	0.628	62.94	0.485
Norway	(NKr)	46.81	8.828	7.927	2.276	0.995	2562	2.549	10	239.3	195.9	11.12	1.848	1.018	2.143	1.600	160.4	1.237
Portugal	(Es)	19.56	3.689	3.312	0.951	0.416	1071	1.065	4.178	100.	81.84	4.645	0.772	0.425	0.895	0.669	67.04	0.517
Spain	(Pta)	23.90	4.507	4.047	1.162	0.508	1308	1.301	5.106	122.2	100.	5.676	0.943	0.520	1.094	0.817	81.91	0.631
Sweden	(SKr)	42.11	7.941	7.131	2.048	0.895	2305	2.293	8.995	215.3	176.2	10	1.662	0.916	1.928	1.440	144.3	1.113
Switzerland	(SFr)	25.33	4.778	4.290	1.232	0.538	1387	1.380	5.412	129.5	106.0	6.017	1	0.551	1.160	0.866	86.83	0.669
UK	(£)	45.98	8.672	7.787	2.236	0.977	2517	2.504	9.823	235.1	192.4	10.92	1.815	1	2.105	1.572	157.6	1.215
Canada	(C$)	21.84	4.120	3.699	1.062	0.464	1196	1.190	4.667	111.7	91.40	5.186	0.862	0.475	1	0.747	74.87	0.577
US	($)	29.25	5.517	4.954	1.422	0.622	1601	1.593	6.249	149.6	122.4	6.947	1.155	0.636	1.339	1	100.3	0.773
Japan	(Y)	29.18	5.503	4.941	1.419	0.620	1597	1.589	6.233	149.2	122.1	6.929	1.152	0.635	1.336	0.997	100.	0.771
Ecu		37.84	7.137	6.409	1.840	0.804	2072	2.061	8.085	193.5	158.4	8.988	1.494	0.823	1.733	1.294	129.7	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7034	0.7056	+0.0019	0.7063	0.7024	20,474	50,065
Mar	0.7085	0.7085	+0.0016	0.7091	0.7082	271	2,524
Jun	-	0.7100	-	-	-	1	69

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.0000	1.0074	+0.0077	1.0104	0.9977	13,798	57,731
Mar	1.0119	1.0214	+0.0075	1.0240	1.0119	297	8,760
Jun	-	1.0300	-	-	-	1	320

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8698	0.8726	+0.0025	0.8735	0.8678	13,887	31,987
Mar	0.8790	0.8802	+0.0016	0.8807	0.8788	69	2,195
Jun	-	0.8872	-	0.8872	0.8850	17	52

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5720	1.5710	+0.0014	1.5724	1.5680	5,025	36,013
Mar	-	1.5680	-	1.5690	1.5640	22	127
Jun	-	1.5620	-	1.5660	1.5620	14	10

UK INTEREST RATES

LONDON MONEY RATES

Oct 12	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6¾ - 3½	6¾ - 6½	6 13/16 - 6⅝	6⅞ - 6 11/16	6 15/16 - 6¾	7 - 6 13/16
Sterling CDs	-	-	6 23/32 - 6 21/32	6¾ - 6 11/16	6 13/16 - 6¾	6 15/16 - 6⅞
Treasury Bills	-	-	6 21/32 - 6 19/32	6⅝ - 6 9/16	-	-
Bank Bills	-	-	6 11/16 - 6⅝	6⅝ - 6 19/32	6 9/16 - 6½	-
Local authority deps.	6⅝ - 6½	6⅝ - 6½	6 11/16 - 6⅝	6¾ - 6 11/16	6¾ - 6 11/16	6¾ - 6⅝
Discount Market deps	6⅝ - 5½	6 11/16 - 6 9/16	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5¾	5¼	6	6¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount 6.5775pc. ECGD fixed rate Stlg. Export Finance. Make up day Sep 29, 1995. Agreed rate for period Oct 25, 1995 to Nov 25, 1995, Schemes II & III 8.04pc. Reference rate for period Sep 1, 1995 to Sep 29, 1995, Schemes IV & V 6.795pc. Finance House Base Rate 7pc from October 1, 1995

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.35	93.26	-0.09	93.35	93.22	32029	97708
Mar	93.37	93.25	-0.12	93.39	93.16	47416	59792
Jun	93.26	93.13	-0.13	93.28	93.03	32496	45183
Sep	93.04	92.92	-0.12	93.05	92.82	13902	33727
Dec	92.80	92.69	-0.11	92.80	92.58	6716	25789

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9325	0.14	0.31	0.39	0.13	0.31	0.51
9350	0.05	0.19	0.28	0.29	0.44	0.65
9375	0.01	0.11	0.19	0.50	0.61	0.81

Est. vol. total, Calls 7820 Puts 8023. Previous day's open int., Calls 139703 Puts 128297

EMS EUROPEAN CURRENCY UNIT RATES

Oct 12	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.09708	+0.00015	-2.56	6.09	19
Belgium	39.3960	38.5152	-0.0095	-2.24	5.74	16
Germany	1.91007	1.87269	+0.00077	-1.96	5.44	19
Austria	13.4383	13.1781	+0.0051	-1.94	5.42	14
Spain	162.493	161.232	-0.858	-0.78	4.19	5
Denmark	7.28580	7.26271	-0.00195	-0.32	3.71	2
Portugal	195.792	196.854	+0.304	0.54	2.82	-4
France	6.40608	6.53301	-0.00354	1.98	1.37	-17
Ireland	0.792214	0.818994	+0.002116	3.38	0.00	-23
NON ERM MEMBERS						
Greece	292.867	307.594	-0.38	5.03	-1.57	-
Italy	2106.15	2109.40	-5.36	0.15	3.22	-
UK	0.786652	0.837943	+0.002952	6.52	-2.95	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Oct	Nov	Dec	PUTS Oct	Nov	Dec
1.540	3.12	3.39	3.95	-	0.38	0.97
1.550	2.17	2.62	3.27	-	0.60	1.29
1.560	1.22	1.99	2.67	-	0.84	1.68
1.570	0.47	1.41	2.18	0.23	1.27	2.15
1.580	0.11	0.96	1.95	0.84	1.82	2.42
1.590	0.03	0.62	1.73	1.71	2.48	2.68

Previous day's vol., Calls 4,432 Puts 10,719 . Prev. day's open int., Calls 268,820 Puts 293,128

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.23	94.23	-	94.24	94.21	34,989	408,325
Mar	94.38	94.40	+0.02	94.40	94.35	53,932	359,902
Jun	94.34	94.36	+0.02	94.37	94.30	31,333	242,086

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.79	94.80	+0.01	94.80	94.78	550	12,811
Mar	94.86	94.90	+0.03	94.90	94.86	208	3,356
Jun	94.85	94.87	-	94.87	94.85	2	150

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Oct	Nov	Dec	Mar	PUTS Oct	Nov	Dec	Mar
9600	0.04	0.07	0.10	0.23	0.02	0.05	0.08	0.13
9625	0	0.01	0.02	0.11	0.23	0.24	0.25	0.26
9650	0	0	0.01	0.04	0.48	0.48	0.49	0.44

Est. vol. total, Calls 9585 Puts 4982. Previous day's open int., Calls 229756 Puts 224723

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9750	0.18	0.28	0.31	0.05	0.11	0.24
9775	0.06	0.13	0.18	0.18	0.21	0.35
9800	0.02	0.05	0.09	0.39	0.38	0.52

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 5125 Puts 800

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	●Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs.	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	United Bank of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk.	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai.	6.75	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75	* In administration	
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	* Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

LONDON SHARE SERVICE

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

هكذا من الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

	Notes	Price	+ or -	1995 high	low	Yld Gr's	NAV	Dis or Pm(-)
For & Col SUIT Sp Inc		89½	+½	93	58½	7.9	-	-
Capital	□	65	+½	69½	57½	-	73.6	14.4
Units		120	-	132	118	2.9	132.8	9.6
IS		90½	-	95	85	-	99.0	8.6
Warrants	□	38½	-	45	33	-	-	-
Friends Prov Ethical		84xd	-	78	51	11.7	81.0	-4.9
Units		177xd	-	188	147	4.6	180.1	1.7
Zero Div Pf		118½	-	115½	94	-	-	-
Fulcrum Inc		36	-	46	35	-	-	-
Cap	□	18	-	24	17½	-	43.4	58.2
Zero Div Pf		159	-	159	141	-	-	-
Gartmore Brit Inc		86	-	88	82	8.3	94.8	9.3
Zero Div Pref		132	+½	132	100	-	-	-
Units		218	-	218	188	4.2	223.1	3.2
Gartmore Scot Inc.		61xd	-	72	61	21.5	-	-
Cap		111	+1	114	80	-	271.2	59.1
Zero Div Prf		187	+1	187	160½	-	-	-
Units		£575xd	-	5975	2575	4.6	-	-
Gartmore Shared Eq.	□	90½xd	-	101	84	13.3	83.9	-7.9
Senior Zero Pf		118	-	118½	85	-	-	-
Junior Zero Pf		117½	-½	128	94	-	-	-
Gen Cons Inc	□	107	-	113	104	10.9	-	-
Cap		174	-	183	138	-	217.5	20.0
Stepped Pf		182½	-	183½	170	2.4	-	-
Hill Inc & Gwth Spl Inc	□	112	-	118	95	3.4	110.6	-1.3
Zero Div Pf		118½	-	118½	102	-	-	-
Henderson Eurotrust		90xd	-1	104	80	4.7	126.3	28.7
Units		131xd	-	143	115	2.9	155.5	15.8
Zero Prf		41½	-	41½	35	-	-	-
Hong Kong	□	41½	-	48	33	5.6	50.7	18.1
Warrants		30	-	34	22	-	-	-
Zero Div Pf		49	+¼	40¼	37	-	-	-
I&S Optimum		93	+1	97	78	11.6	106.4	12.6
Zero Div Pf		238½	+½	238½	217½	-	-	-
INVESCO Blue Chip		62	-	72	51	10.9	67.1	7.6
Zero Pf		177½	-	177½	160½	-	-	-
INVESCO Recovery		92	-	110	84	10.9	101.0	8.9
Pld Growth		164	+½	164	147½	-	-	-
Johnson Fry Euro		85xd	-	94	81	6.5	95.0	10.5
Zero Prf		123	-	123	103	-	-	-

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OIL, INTEGRATED - Cont.

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£31¼	-	£34	£29	2,190	2.6	◆
Barlow		£7½	+⅛	£7½	£4⅝	1,555	1.3	28.5
Gold Flds Prop R		140xx	-2	182	118	14.3	7.5	6.4
HK Props		86	-	95	85	3.46	13.6	-
SASOL	♥	544	+5	648	435	3,185	2.5	-
SA Brews		£20½	+⅛	£20½	£12⅞	5,742	1.7	◆
Standard Bank	□	£22⅛	+⅛	£22⅝	£20⅛	2,678	2.0	15.7
Tiger Oats		875	-	875	700	1,486	1.5	23.5
Tongaat-Hulett	††	791	+2	835	636	728.8	1.8	23.7

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ◆ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- ‖ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

♣ FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT3973. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.

Both Annual Reports and FT Company Focus are available from the above number.

FT Company Focus

Comprehensive 10-14 page report available on this company, containing key FT stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements for £6.45.

To order, call 0121 200 4678.

Reports published by ShareFinder Ltd.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An International service is available for callers outside the UK, annual subscription £250 stg.

Call 0171 873 4378 for more information on FT Cityline.

For readers phoning from outside UK, please dial +44 in place of the first 0.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda

Prices for dealing October 12

Jupiter Tyndall (Bermuda) Ltd
PO Box HM1250, Hamilton, Bermuda 001 809 292 2760
Jupiter Tyndall World Umbrella Fund Ltd

Newport Investment Management

Orbitex Fund Limited

BERMUDA (REGULATED)(**)

Bermuda Intl Invest Mngmt Ltd

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

Adams & Neville Fd Mangt (Guernsey) Ltd

Equitable International Fund Managers Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Guinness Flight International Accum Fund

Henderson Fd Mgrs (CI) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Freres Asset Management (CI) Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey 01481 710851

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd
AB International Fund Ltd

Bachmann Global Investment Fund Ltd

Royal Bank of Canada Intl Money Market Fd

IRELAND (SIB RECOGNISED)

BT Fund Managers (Ireland) Ltd

Bank of Ireland Asset Management

Coutts & Co Fund Managers Limited

The Fiduciary Trust Global Fund

GT Asset Management (Ireland) Ltd
(44) 171 710 4567 London (852) 842 7200 Hong Kong

Guinness Flight Fund Managers (Ireland) Ltd

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

Argentaria European Hedge Fund plc

Asia Small Cos Growth Fund (a)

Asian Dynamic Growth Fund plc

Asia Diversified Equity Fund Plc

Asian Emerging Markets Fund Plc

Asian Gateway Fund Plc

Asian Growth Fund Plc

Asset Korea Fund

Atlantis Korean Smaller Companies Fund

Baring International Fd Mgrs (Ireland) Ltd

Berkshire Korea Fund Plc

Capital Value Fund Plc

Chemical Ireland Fund Administrators Ltd

Citi Investment Fund (Ireland)

Citizens Investment Trust Mngt Company

Daiwa Europe Fund Managers Ireland Ltd

Dragon Korea Fund Plc

Dynamic Pacific Portfolio Fund Plc

Egerton Capital European Fund Plc

Emerging Dynamic Fund Plc

Emerging Market Growth Fund Plc

F.I.T. Investment Trust Ltd (a)

Falcon Market Fund Plc

Framlington Investment Mgmt (Ireland) Ltd

Frank Russell Investments (Ireland) Ltd (a)

Kina Far East Fund Plc

Korea Fund Plc

Korea Growth Fund Plc

Morgan Grenfell Investment Funds Ltd

Pacific 21st Century Fund

Scottish Widows Investment Management

ISLE OF MAN (REGULATED)(**)

AXA Equity & Law Intl Fund Mgrs

Bank of Ireland Asset Management (IOM) Ltd

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Barclays International Funds

Coutts & Co (Jersey) Fund Managers Ltd

JERSEY (REGULATED)(**)

Barclays Intl Funds

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

John Govett Management (Jersey) Ltd

Jupiter Tyndall (Jersey) Ltd

Lombard Odier (Jersey) Ltd

Lloyds Bank (CI) U/T Mgrs.

Mercury Asset Mngt Channel Islands Ltd

Royal Bank of Canada Intl Fd Mgt Ltd

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Schroder Mngt Services (Jersey) Ltd

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds Lu

American Phoenix Investment Portfolios (a)

Den norske Bank

Fleming Group (a)

Foreign & Colonial Emerging Markets Ltd (a)

Templeton Global Strategy Funds

LUXEMBOURG (REGULATED)(**)

Mercury Asset Management S.A.

Henderson Investment Management Lux SA

هكذا من الذهبي

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Credis Investment Funds

Credit Commercial de France

Daiwa Japan Gan Fund

The Dragon Fund Sicav

Emerging Markets Strategy Fund SICAV

Europe Value Fund (a)

EurOpton (a)

Fidelity Investment (CI) Ltd

The First Korea Smaller Companies Fund

Fleming Group

Foreign & Colonial Emerging Markets Ltd

Gartmore Luxembourg S.A.

Global Funds Management S.A. (x)

Global Futures & Options SICAV

HSBC NAFT Luxembourg SA

IFTF India Fund - SICAV

Invesco International Limited

Kleinwort European Sd Fd Management SA

Korea Golden Gate Fund

Lloyds Bank Luxembourg (a)

Lombard Odier Invest (a)

Mercury Fund Managers SA

Merrill Lynch Asset Management - Contd.

Monterey Trust SICAV

Morgan Stanley Sicav

Morley Fund Mgmt

Nicko Asia Pacific Umbrella Fund

Nomura Asian Infrastructure Fd SICAV

Pacific Basin Growth Fund

Pan-Holding SA

RBSC Global Funds

Rosenberg Global Mngt Co SA (a)

Rosenberg US Japan Mngt Co SA (a)

Edmond de Rothschild Group

Scudder, Stevens & Clark

Societe Generale Group

State Street Luxembourg SA

Swedish Selective Fund SICAV

Swiss Bank Corporation

Target International Fund

Templeton Emerging Asia

Tower Fund

Van Kampen American Capital Navigator Funds

World Trust Fund

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Abtrust International Ltd

Royal Life International

Royal Skandia Life Assurance Ltd

CMI Insurance Co Ltd

Equitable Life (International)

Friends Provident International

Hansard International Ltd

Isle of Man Assurance Ltd

Lehman International Group

Professional Investment Consultants

Scottish Provident Intl Life Ass Ltd

Sun Life International (IOM) Ltd

OTHER OFFSHORE FUNDS

ATSF Management Ltd

Abtrust Fund Mngrs (Guernsey) Ltd

Atlantic Investment Fund Ltd

Bank of Bermuda

Barings International Group

Baring Asset Management

Butterfield Management Co Ltd

CA Securities Investment Fund Mangt Ltd

CDC International

Capital International

Cathay Investment Fund Limited

Chameleon Funds Limited

Citicorp Global Asset Mgmt (Asia) Ltd

Coast Asset Management Corporation

Credit Lyonnais Intl Asset Mgmt (HK) Ltd

Dynasty Fund Ltd

Fidelity Investments

Formosa Fund

Frank Russell Investments (Cayman) Ltd

GT Management Plc

Global Asset Management - Contd.

Global Convertible Megafund

Goldman Sachs

Green Way Guaranteed Ltd

Greystone International

Guinness Flight Intl Accum Fund

Hill Samuel Investment Mgmt Intl

IAA Limited

IBJ Schroder Bank & Trust Company

Indian Opportunities Fund Ltd

Jardine Fleming Unit Trusts Ltd

Lazard Brothers Portugal Growth Fund

Lloyds Bank International

London Portfolio Services Group

Magellan Emerging Markets Mngt (Jersey) Ltd

Magna Asset Management Ltd

Malaysia Growth Fund

Merrill Lynch Asset Management

Morgan Stanley Emerging Market Fund

Odey Asset Management Ltd

Orbitex Management Ltd

Pictet Asset Management

Regent Fund Management Ltd

Regent Kingpin Capital Management Ltd

Republic Funds

Rothschild Asset Management

Schroder Investment Management Limited

Seabrook International

Selective Asset Management Limited

Smith Barney Funds

Sumitomo Capital Intl

Swiss Bank Corporation

Taiwan Opportunities Fund Ltd

Templeton Galbraith & Hansberger Ltd

The Thai-Euro Fund Ltd

The Thai Prime Fund Limited

The Thailand Fund

The Thailand Growth Fund

The Thailand Intl Fund Ltd

Thames Currency Funds

Thornton Investment Management Ltd

Trinity Global Funds Group

The Vietnam Frontier Fund

The Vietnam Fund Limited

Wardley Investment Services

Wellington Fund Mngrs (Bermuda) Ltd

Wells Fargo U.S. FT Fund

Worldwide Limited

Zurich Lombardier Ltd

Zweig-DiMenna International Limited

MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

MARKET REPORT

Bid fever drives Footsie through the 3,500 level

By Steve Thompson,
UK Stock Market Editor

The Wall Street-induced panic that gripped the UK equity market on Tuesday was fading quietly into history yesterday as investors concentrated on hunting down the next takeover candidate.

Such was the buying enthusiasm in London that the FT-SE 100 Index moved effortlessly back to the levels of last week, before it was hit by the twin profit warnings from two of Wall Street's high-tech high fliers, Novell and Motorola. Another outbreak of takeover speculation – focused especially on the banks, utilities and consumer areas – helped the market yesterday.

Dealers were surprised that September's inflation numbers, which were much worse than expected, had little impact on the market. And there were no real shocks in the speech delivered by Mr Kenneth Clarke, the chancellor of the exchequer, at the Conservative party conference in Blackpool in which he reaffirmed his determination to crack down on any signs of emerging inflationary trends.

With Wall Street continuing to confound the bears – following Wednesday's 14-point gain on the Dow Jones Industrial Average with a similar improvement at the opening of US markets yesterday – London built on a strong initial rise and eventually closed just short of the day's best level.

Footsie sailed with ease through the 3,500 level, lost as the Dow plummeted on Tuesday, to close 49.5 higher at 3,523.8, just short of last Friday's level and a rise of 1.4 per cent on the session.

Evidence that most of the big institutional buying in the market was concentrated in the leaders came with the more modest improvement in the second-liners. The FT-SE Mid 250 index ended the session 16.6 firmer at 3,936.4.

Turnover in equities settled at a healthy 741.6m shares. Customer, or retail, business on Wednesday jumped to £2.4bn, one of the highest daily levels for some weeks.

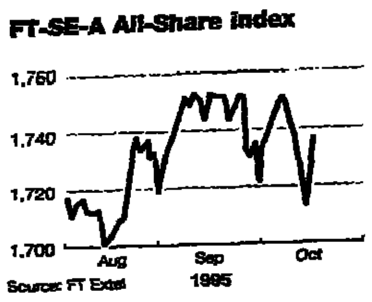
Marketmakers, widely thought to have been caught on the wrong foot by the wild swings in the market this week, were becoming increasingly cautious late yesterday, warning that bid fever was causing the market to overheat.

Many strategists remain bullish of prospects, however. The strategy team at Salomon Brothers continue to adopt a strongly positive view of the market saying it remains "cheap on both a fundamental and relative basis. It appears cheap against gilts, the US market, major European stock markets and its own history," Salomon's Mr Pathmajan Rasan said. Salomon has a a year-end FT-SE 100 target of 3,700.

Mr Paul Walton, UK strategist at Goldman Sachs, is even more bullish on a 12-month view, and expects the FT-SE 100 to rise to 4,000 during that period. He points to the expected £18bn worth of cash coming back to the market in the final quarter from takeover bids.

Mr Richard Jeffrey, group economist at Charterhouse Tilney, the stockbroker, noted the increase of overseas bidders for UK companies as highlighting the value of UK stocks. Mr Ian Harnett of SGST Securities said he expected the FT-SE 100 Index to rise 100 points by the end of the year.

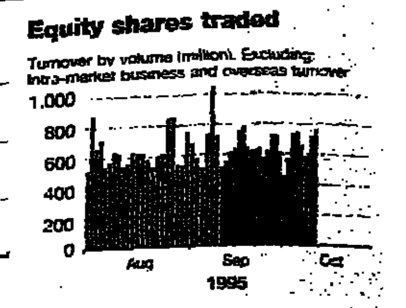
FT-SE-A All-Share index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3523.8	+49.5
FT-SE Mid 250	3936.4	+16.6
FT-SE-A 350	1758.0	+20.7
FT-SE-A All-Share	1737.42	+19.12
FT-SE-A All-Share yield	3.84	(3.88)
FT Ordinary index	2601.3	+39.0
FT-SE-A Non Fins p/e	16.88	(16.70)
FT-SE 100 Fut Dec	3554.5	+68.5
10 yr Gilt yield	8.14	(8.15)
Long gilt/equity yld ratio:	2.20	(2.18)

Best performing sectors

1 Insurance ..... +2.4
2 Extractive Industries ..... +2.3
3 Life Assurance ..... +2.1
4 Banks, Retail ..... +1.9
5 Spirits, Wines & Cid ..... +1.8

Worst performing sectors

1 Property ..... -0.7
2 Textiles & Apparel ..... -0.6
3 Water ..... -0.3
4 Other Services & Bus ..... -0.0
5 Engineering, Vehicles ..... +0.1

Broker review hits Arjo

Paper maker **Arjo Wiggins Appleton** was the principal casualty in the Footsie, its shares falling more than two per cent against a rise of more than one per cent for the blue chip index.

Panmure Gordon appears to be leading a trend of increasing bearishness over the short term prospects for the company, with a savage downgrading of its profits forecasts.

Against a consensus estimate of around £250m, analyst Ms Francesca Raleigh has slashed her current-year forecast by £12m to £230m and the following year's forecast by £30m to £260m. The cuts are based on the view that destocking by customers – following a glut of buying at the end of last year – is lasting much longer than expected. There was also a sell note issued by BZW. The shares ended the day 5 lower at 236p on turnover of 7.1m.

Rival **Rexam** rose 17 to 390p after Charterhouse Tilney turned buyer on the stock following a period of underperformance.

Cash poured into the banking sector yesterday, fuelled by the Lloyds/TSB merger prospects and the feel-good factor in the market.

Royal Bank of Scotland was attracting most of the attention as rumours of a substantial stake sale whipped from trading desk to trading desk. Royal's shares jumped nearly 30 at one stage and closed a net 19 higher at 502p, with 9.1m traded.

It was initially suggested that Banco Santander might be poised to sell its 9.89 per cent holding in RBoS. By itself, the prospect of some 70m shares flooding on to the stock exchange would tend to depress the share price.

But, with takeover enthusiasm entrenched within the sector, the rationale developed that the shares would go to an aggressive bidder rather than institutions. **Abbey National** was seen as the other party and its shares jumped 21 to 570p, despite negative comment from Hoare Govett and BZW.

However, Royal Bank denied it was in merger talks and most analysts argued that Abbey had neither the finance nor the desire to make an offer for Royal. Meanwhile, profit-taking affected both Lloyds and TSB. The former eased a penny to 768p, while the latter slid 6 to 363p.

Guardian Royal Exchange topped the list of heavily-bought insurers with a rise of 12 to 225p.

The composite insurer is seen as the most likely takeover target in a sector poised for consolidation. However, yesterday's gain was attributed to a buyer of 1.4m shares leaving the market short of stock, on a day when issues heavily geared to general market rises were in demand.

Elsewhere in the sector, **Commercial Union** improved 17 to 590p, as SGST recommended the stock.

A sizeable overnight trade in confectionery and soft drinks group **Cadbury Schweppes** prompted the return of bid speculation and sent the shares sharply forward to an all-time high.

The shares jumped 26½ to 545½p, making Cadbury one of the day's best performing stocks, as turnover soared to 7.8m, well above its usual daily total. The closing volume included a line of 1m traded after Wednesday's market finish.

The bid spotlight fell on Cadbury Schweppes at the beginning of this week after a weekend press report suggested Anglo-Dutch giant **Unilever** could be lining up an offer for the UK company. Sentiment was also boosted this week by a recommendations from Merrill Lynch and Lehman Brothers.

Commenting on yesterday's advance, one analyst said, "Quite a number of investors are still underweight in Cadbury Schweppes and they are buying the stock to ensure they are not caught out should there be a bid." Unilever shares closed 12 up at 1272p.

In the drinks sector, the bid speculation settled on **Grand Metropolitan**, boosting activity in the stock in both the equity and traded options sectors.

The talk in the market suggested that spirits group Guinness could in the process of lining up a bid for its rival. Grand Met shares jumped 14 to 441p, as a hefty 10m shares were traded, while some 3,725 lots, the equivalent of around 3m shares, was dealt in the group's stock options.

However, a close observer of the sector was sceptical of such a bid and said: "Somehow, I think a bid of this nature is unlikely."

RTZ, among the world's biggest mining group, jumped 26 to 919p in the registered shares on surprisingly heavy turnover.

The rise reflected an enthusiastic note from Hoare Govett which argued that, although the recent merger with CRA would lead to some dilution, it was a positive move. Hoare says the group will now have a less volatile earnings stream, stronger balance sheet and higher payout ratio on the dividend. The volume of 13m shares – the second-highest on record – was largely accounted for by a block of 5m shares going through the market at 907p a share. Dealers said it represented stock lending by institutions to marketmakers.

BAA shrugged off a disappointing set of traffic figures, with a 13 rise to 482p, as UBS drew attention to the recent marked weakness for the shares with a reiterated buy recommendation.

The securities house expects traffic flow – and consumer spending – to pick up from now on. Channel tunnel trains began operating in November last year so the Eurostar distortions drop out next month: and UBS has high hopes for a pick up in the charter airline trade, hit badly by this summer's prolonged spell of hot weather.

As a result of the recent slowdown in airport throughput, UBS has shaved its estimates of BAA profits for this year by 5 per cent to £410m but is sticking to a firm buy stance on the shares.

Retailing stocks were boosted by the publication of data on UK inflation which showed a rise to its highest level since 1992. **Kingfisher** jumped 11 to 506p, while **Marks and Spencer** improved 8 to 428p, after trade of 6.4m. **Boots**, also a beneficiary of the same sentiment, was also boosted by speculation it will launch a share buyback next month. Reports of bumper sales of Windows 95 computer software that helped **Dixons** advance 13 to 384p.

Footsie inclusion hopes got behind glass giant **Pilkington**, helping the shares to rise 3 to 200p on a better day generally for the building-related stocks.

A number of conglomerates were heavily traded, notably **BTR**, which put on 4 to 323p on turnover of 11m. The uptick was said to have partly stemmed from the unwinding of arbitrage positions ahead of next month's completion of BTR's takeover of the outstanding minority in Australian unit BTR Nylex.

Tomkins moved ahead strongly in turnover of 5.7m on the back of US buying, rumours of profit upgrades and talk of switch advice at the expense of **Williams Holdings**. Tomkins added 8 to 250p while Williams came off 2½ to 320p.

FINANCIAL TIMES EQUITY INDICES

	Oct 12	Oct 11	Oct 10	Oct 9	Oct 6	Yr ago	*High	*Low
Ordinary Share	2601.3	2562.3	2553.5	2596.2	2612.9	2412.2	2666.5	2238.3
Ord. div. yield	4.12	4.18	4.20	4.13	4.10	4.28	4.73	4.02
P/E ratio net	15.65	15.40	15.35	15.61	15.73	18.86	21.33	15.35
P/E ratio nil	15.47	15.22	15.17	15.43	15.54	18.29	22.21	15.17

*For 1995. Ordinary Share index since compilation: high 2713.6 2/02/94, low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2569.6	2569.2	2572.0	2580.0	2585.0	2587.8	2589.6	2590.8	2599.1	2601.3	2564.0

	Oct 12	Oct 11	Oct 10	Oct 9	Oct 6	Yr ago
SEAQ bargains	29,897	30,675	33,214	33,133	28,058	27,653
Equity turnover (£m)†	-	2357.8	1971.2	1751.0	1553.6	1692.7
Equity bargains†	-	36,104	38,451	38,014	34,012	31,334
Shares traded (m)†	-	769.6	737.8	597.2	648.7	634.2

†Excluding intra-market business and overseas turnover.

London market data

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	819	Total Highs	80	Total contracts	41,314
Total Falls	421	Total Lows	42	Calls	27,072
Same	1,659			Puts	14,242

Oct. 12 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3490.0	3554.5	+68.5	3563.0	3484.0	16490	65605
Mar	3534.0	3583.0	+68.0	3534.0	3534.0	230	2452
Jun		3588.0	+68.0			0	134

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		3965.0	+30.0			0	3538

■ FT-SE 100 INDEX OPTION (LIFFE) (*3523) £10 per full index point

	3350 C	3350 P	3400 C	3400 P	3450 C	3450 P	3500 C	3500 P	3550 C	3550 P	3600 C	3600 P	3650 C	3650 P	3700 C	3700 P
Oct	185½	2	135½	3½	90½	6	50½	15½	19	36	5	76½	1	126½	1	176½
Nov	207½	12	164	17½	123	28	89	44	60	66	36	33½	18½	130½	8	176½
Dec	225	23½	185½	34½	148½	47	116½	65	86½	85½	63½	113½	43½	145½	28½	194
Jan			208½	45			142½	78			98	127			51½	193½
Jun†			272½	99½			208½	134			157	180			112	236

Calls 10,200 Puts 7,323

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3375 C	3375 P	3425 C	3425 P	3475 C	3475 P	3525 C	3525 P	3575 C	3575 P	3625 C	3625 P	3675 C	3675 P	3725 C	3725 P
Oct	161	2	113	4	69½	10	34	24½	12½	52½	3	93½	1½	140½	1	130½
Nov	180½	10	138	17½	100	29	68	47	43	71½	26½	102½	13½	141	6½	182½
Dec	206	29	165½	37½	129½	51	95½	67½	68½	88½	46	115½	29	149	17½	156
Mar			221	67½			154½	98½			99	140			60½	198½
Jun†			255½	100½			197	137			146	191½			103½	234

Calls 4,537 Puts 683 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

FT GOLD MINES INDEX

FT-SE Actuaries Share Indices — The UK Series

■ FT-SE Actuaries All-Share

■ Hourly movements

■ FT-SE Actuaries 350 Industry baskets

TRADING VOLUME

■ Major Stocks Yesterday

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Oct 12 / Sch)

BELGIUM/LUXEMBOURG (Oct 12 / Frs.)

CZECH REP (Oct 12 / Koruna)

DENMARK (Oct 12 / Kr)

FINLAND (Oct 12 / Mks)

FRANCE (Oct 12 / Frs.)

GERMANY (Oct 12 / Dm.)

GREECE (Oct 12 / Drachma)

ITALY (Oct 12 / Lira)

NETHERLANDS (Oct 12 / Fls.)

NORWAY (Oct 12 / Kroner)

POLAND (Oct 12 / Zloty)

PORTUGAL (Oct 12 / Escudo)

SPAIN (Oct 11 / Pts.)

SWEDEN (Oct 12 / Kronor)

SWITZERLAND (Oct 12 / Frs.)

TURKEY (Oct 12 / Tk Lira)

PACIFIC

JAPAN (Oct 12 / Yen)

HONG KONG (Oct 12 / H.K.$)

INDONESIA (Oct 12 / Rupiah)

MALAYSIA (Oct 12 / MYR)

NEW ZEALAND (Oct 12 / NZ $)

SINGAPORE (Oct 12 / S$)

AUSTRALIA (Oct 12 / Aust$)

SOUTH KOREA (Oct 12 / Won)

TAIWAN (Oct 12 / TW $)

THAILAND (Oct 12 / Baht)

AFRICA

SOUTH AFRICA (Oct 12 / Rand)

NORTH AMERICA

CANADA

MONTREAL (Oct 12 / Can $) 4 pm close

TORONTO (Oct 12 / Can $) 4 pm close

INDICES

	Oct 12	Oct 11	Oct 10	1995 High		1995 Low	
Argentina							
General (29/12/77)	(u)	14149.85	14049.81	19831.89	2/1	9831.09	9/3
Australia							
All Ordinaries(1/1/80)	2078.4	2068.6	2062.2	2168.00	18/9	1823.30	8/2
All Mining(1/1/80)	932.2	933.1	930.0	1029.50	7/8	795.30	8/2
Austria							
Credit Aktien(30/12/84)	343.36	351.92	355.36	385.42	2/1	343.36	12/10
Traded Index(2/1/91)	938.11	982.83	973.41	1058.31	2/1	934.88	30/3
Belgium							
BEL20 (1/1/91)	1407.71	1414.98	1414.97	1491.30	2/8	1271.53	9/3
Brazil							
Bovespa (29/12/83)	(c)	45007.0	44095.0	48612.00	19/9	4531.89	8/9
Canada							
Metals Minls♦(1975)	(u)	4590.76	4589.15	5262.77	21/8	3805.83	1/3
Composite♦ (1975)	(u)	4474.60	4472.30	4710.36	12/7	3991.41	30/1
Portfolio§§ (4/1/83)	(u)	2189.35	2191.27	2307.81	12/7	1953.36	30/1
Chile							
IGPA Gen♥(31/12/80)	(c)	5896.0	5873.8	6383.18	11/7	4576.98	9/3
Denmark							
CopenhagenSE(3/1/83)	(u)	(u)	358.47	375.44	25/8	330.01	29/3
Finland							
HEX General(28/12/90)	2088.85	2057.49	1978.53	2832.22	14/9	1855.30	29/3
France							
SBF 250 (31/12/90)	1205.33	1199.27	1192.91	1322.39	12/5	1154.41	13/3
CAC 40(31/12/87)	1803.75	1794.43	1777.96	2017.27	12/5	1721.80	13/3
Germany							
FAZ Aktien(31/12/58)	791.61	785.73	792.41	848.79	19/9	708.87	30/3
Commerzbank(1/12/53)	2282.7	2263.3	2282.8	2427.80	19/9	2018.70	30/3
DAX (30/12/87)‡	2158.12	2145.30	2138.77	2317.01	15/9	1910.96	28/3
Greece							
Athens SE(31/12/80)	914.14	925.43	924.42	992.59	4/8	787.16	16/3
Hong Kong							
Hang Seng(31/7/64)	9685.14	9635.06	9730.92	9939.95	4/10	6967.93	23/1
India							
BSE Sens.♥(1979)	3581.40	3572.22	3557.80	3932.09	2/1	3015.07	2/5
Indonesia							
Jakarta Comp.(10/8/82)	494.52	496.28	495.99	519.18	11/8	414.21	19/4
Ireland							
ISEQ Overall(4/1/88)	2139.42	2123.33	2110.66	2179.73	15/9	1813.59	23/1
Italy							
Banca Comm Ital (1972)	600.29	594.41	594.73	680.54	10/2	587.99	23/3
MIB General (2/1/85)	948.0	939.0	939.0	1076.00	10/2	929.00	23/3
Japan							
Nikkei 225 (16/5/49)	17971.40	17891.19	(c)	19884.64	4/1	14485.41	3/7
Nikkei 300 (1/10/82)	267.10	267.24	(c)	286.16	4/1	222.28	13/6
Topix (4/1/68)	1428.12	1427.04	(c)	1633.40	4/1	1193.16	13/6
2nd Section (4/1/68)	1862.18	1868.61	(c)	2130.68	4/1	1441.90	13/6
Malaysia							
KLSE Comp.(4/4/86)	961.94	958.80	970.75	1085.04	5/6	840.87	24/1
Mexico							
IPC (Nov 1978)	(u)	2353.68	2237.78	2822.21	8/9	1447.52	27/2
Netherland							
CBS TtlRtnGen(End 83)	499.1	498.7	496.5	511.80	19/9	422.90	23/3
CBS All Shr (End 83)	302.5	302.3	300.9	311.10	15/9	265.20	23/3
New Zealand							
Cap. 40 (1/7/86)	2113.52	2091.33	2081.61	2155.79	18/5	1901.43	5/1
Norway							
Oslo SE(Ind)(2/1/83)	1245.23	1230.45	1224.31	1291.58	19/9	1036.00	10/3
Philippines							
Manila Comp (2/1/85)	2599.80	2598.82	2600.0	2898.12	10/7	2249.39	27/3
Portugal							
BTA (1977)	2603.7	2605.6	2611.1	2911.60	9/1	2580.78	25/9
Singapore							
SES All-S'pore(2/4/75)	517.26	517.60	518.01	536.06	5/1	472.90	23/1
South Africa							
JSE Gold (28/9/78)	1455.8♥	1459.7	1473.2	2023.00	2/1	1317.20	19/5
JSE Indl. (28/9/78)	7302.7♥	7257.1	7221.2	7302.70	12/10	6222.00	31/1
South Korea							
KoreaCompEx(4/1/80)**	1018.66	1011.00	1004.16†	1027.37	2/1	847.09	27/5
Spain							
Madrid SE (30/12/85)	(c)	287.38	285.36	318.98	13/9	283.38	28/6
Sweden							
AffarsvarldnGen (1/2/37)	1800.6	1774.3	1753.1	1872.10	18/9	1439.80	29/3
Switzerland							
Swiss Bk Ind (31/12/58)	1424.77	1419.71	1404.58	1424.77	12/10	1174.63	13/3
SBC General (1/4/87)	1064.45	1060.96	1054.19	1064.45	12/10	870.58	13/3
Taiwan							
WeightedPr.(30/6/66)**	5109.93	5165.36	(c)	7051.49	5/1	4503.37	14/8
Thailand							
Bangkok SET (30/4/75)	1323.26	1323.00	1317.26	1472.04	10/7	1135.69	16/3
Turkey							
Istanbul Cmp.(Jan 1986)	43101.7	45305.1	44428.9	54853.90	21/4	24844.31	23/1
WORLD							
MS Capital Int (1/1/70)$	695.2*	691.1	693.7	703.80	29/9	598.21	29/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1405.03	1396.12	1377.54	1408.89	15/9	1222.41	13/3
Euro Top-100 (26/6/90)	1270.37	1267.66	1257.86	1316.68	15/9	1117.34	9/3
JCapalOrgas (31/12/88)	(u)	330.78	332.97	349.47	14/7	262.87	23/1
Barings Emerg.(7/1/92)	146.33	145.56	145.98	168.67	2/1	117.15	10/3

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x Index)							
Oct	1804.0	1814.5	+8.50	1818.0	1800.0	11,249	29,179
Nov	1811.5	1824.0	+8.50	1826.0	1811.5	83	2,704
DAX							
Dec	2171.0	2173.5	+8.0	2179.5	2167.0	15,260	86,917
Mar	2189.5	2196.0	+8.0	2196.0	2188.5	45	4,046
OMX							
Oct	1410.00	1428.00	+24.00	1427.00	1410.00	3,344	13,951
Nov	1421.50	1433.00	+19.00	1433.50	1421.50	376	1,380
SOFFEX							
Oct	3069.00	3073.0	+7.0	3089.0	3066.5	3,899	16,530
Nov	3087.5	3078.5	-0.3	3097.5	3081.2	177	686
S&P 500							
Dec	581.25	583.20	+1.95	583.45	580.80	94,512	182,185
Mar	587.50	588.00	+1.55	588.00	587.20	1,031	8,141
Nikkei 225							
Dec	17980.0	18000.0	+80.0	18100.0	17870.0	17,549	154,130
Mar	18060.0	18060.0	-80.0	18060.0	18060.0	1	4,364

Open interest figures for previous day.

** Sat Oct 7: Taiwan Weighted Price 5207.12; Korea Comp Ex 1003.40. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall: Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Oct 12 - 2158.73 +8.17.

US INDICES

Dow Jones	Oct 11	Oct 10	Oct 9	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	4735.25	4720.80	4726.22	4801.80 (14/9)	3832.08 (30/1)	4801.80 (14/9/95)	41.22 (2/7/32)
Home Bonds	103.58	103.48	103.41	103.75 (13/7)	93.63 (3/1)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1925.80	1892.31	1898.27	2000.39 (18/9)	1473.19 (3/1)	2000.39 (18/9/95)	12.32 (8/7/32)
Utilities	217.04	217.44	215.59	217.44 (10/10)	183.03 (3/1)	256.46 (21/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 4773.91 (4745.74) Low 4696.48 (4698.43) (Theoretical♦)
Day's high 4738.86 (4726.58) Low 4711.41 (4680.47) (Actual♦)

Standard and Poors	Oct 11	Oct 10	Oct 9	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite ‡	579.46	577.52	578.37	586.77 (20/9)	459.11 (3/1)	586.77 (20/9/95)	4.40 (1/6/32)
Industrials♥	675.98	674.59	676.27	681.27 (20/9)	548.28 (3/1)	681.27 (20/9/95)	3.62 (21/6/32)
Financial	60.34	59.77	59.93	60.34 (11/10)	41.64 (3/1)	60.34 (11/10/95)	8.64 (1/10/74)
NYSE Comp.	310.51	309.41	310.35	314.33 (20/9)	250.73 (3/1)	314.33 (20/9/95)	4.46 (25/4/42)
Amex Mkt Val	527.54	525.22	527.48	553.58 (12/9)	433.12 (6/1)	553.58 (12/9/95)	29.31 (9/12/72)
NASDAQ Cmp.	1001.57	993.47	994.74	1067.40 (13/9)	743.58 (3/1)	1067.40 (13/9/95)	54.87 (31/10/72)

RATIOS

	Oct 6	Sep 29	Sep 22	Year ago
Dow Jones Ind. Div. Yield	2.43	2.42	2.42	2.79
	Oct 4	Sep 27	Sep 20	Year ago
S & P Ind. Div. yield	2.06	2.07	2.05	2.43
S & P Ind. P/E ratio	17.87	17.94	18.14	20.33

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Union Pac	8,897,900	22	+1
Motorola	7,743,600	64¼	+⅛
Micron Tech	7,125,900	67¾	+⅝
Ahmerica Fin	6,137,300	24¼	+3¼
Abbott Labs	6,122,100	39¾	-¼
Wal-Mart	5,907,700	22⅝	-1
EMC	5,838,200	14⅛	+⅛
Ford Motor	4,061,400	30¼	+⅛
Freeport Mcn	3,988,200	6¼	+⅜
Seagate Tech	3,611,300	40⅝	+1⅞

TRADING ACTIVITY

● Volume (million)	Oct 11	Oct 10	Oct 9
New York SE	343.080	416.328	276.386
Amex	15.586	16.479	13.267
NASDAQ	480.398	557.885	417.887
NYSE			
Issues Traded	3,036	3,037	2,995
Rises	1,439	845	616
Falls	803	1,443	1,631
Unchanged	800	748	748
New Highs	113	67	69
New Lows	38	72	60

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

Prices supplied by Telekurs

FT FREE ANNUAL REPORTS SERVICE
You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT5048. Ring 0181 770 0770 (open 24 hours including weekends) or fax 0181 770 3822. If calling from outside the UK, dial +44 181 770 0770 or fax +44 181 770 3822. Reports will be sent on the next working day, subject to availability.

TOKYO - MOST ACTIVE STOCKS: Thursday, October 12, 1995

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Pacific Metals	8.8m	652		Nippon Steel	5.0m	348	+1
NKK	7.7m	266	+7	Daiwa Bank	4.9m	654	+20
Fuji Bank	6.7m	1860	-80	Nip Hsg Loan	4.5m	20	-4
Tokuyama	6.3m	752	-4	Mitsubishi Matl	3.3m	479	-10
Mitubishi Hvy	5.8m	773	-3	Toshiba	3.1m	713	-1

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

4 pm close October 12

NYSE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous page										
30⅞	24¼	SaraLee	0.68	2.3	18	6826	29½	29¼	29⅜	
55⅝	39⅝	SBC Cm	1.65	3.0	18	6457	55½	54	54⅛	-1¼
24¾	20½	Scana Corp	1.44	5.8	17	992	u24¾	24⅝	24⅝	
18	14½	Scecrp	1.00	5.6	11	2707	17⅞	17¾	17¾	
11¼	7	SchawkA	0.26	3.4	13	17	7⅝	7½	7⅝	+¼
50¼	37¼	SchererRP			23	417	45⅝	44⅝	44⅝	-⅝
54⅜	35½	SchPl	1.16	2.2	19	7588	51⅞	51¼	51⅞	+⅛
69⅝	50⅛	Schlmb	1.50	2.3	26	2836	65⅞	65¼	65½	-¼
29	11¼	Schwab(C)	0.16	0.6	28	2883	25⅜	24⅜	25	+1¼
24⅞	11⅞	SciAtl	0.06	0.4	16	11382	13⅝	13¼	13½	+¼
20	15⅛	Scotman	0.10	0.6	10	55	16⅜	16⅛	16⅛	-⅛
51⅞	33½	ScotP	0.40	0.8	17	3247	49¾	49⅛	49⅜	+⅛
35¼	26⅞	Scripps	0.52	1.5	24	204	35⅛	34⅝	35⅛	
21½	14⅜	ScudrNAsF	0.02	0.1		281	15⅜	15	15¼	+¼
11⅝	8⅝	ScudrNEuF	0.16	1.5		155	10¾	10⅝	10¾	
20	13⅜	SeaCnB	0.70	3.6	2	z100	19⅜	19⅜	19⅜	
16¼	14⅝	SeaC1.4625	1.46	9.4		4	15¾	15⅝	15⅝	-¼
49⅜	23⅝	S'gate			12	16828	42½	41	42⅜	+1⅜
38⅛	25⅝	Seagrm	0.60	1.7	24	2182	36⅝	36	36⅛	-⅜
22½	15¼	Seagull En			11	441	18½	17⅞	17⅞	-½
28¼	18	Sealed Air			22	2383	25⅛	24⅜	25	
37⅝	30⅜	SearsR	0.92	2.6	8	17611	36⅞	34⅞	35½	+1¼

4 pm close October 12

NASDAQ NATIONAL MARKET

AMEX COMPOSITE PRICES

4 pm close October 12

AMERICA

Nasdaq leads way higher by midsession

Wall Street

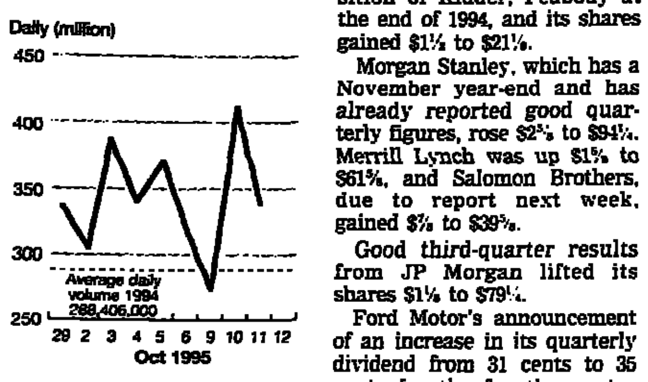
Wall Street continued its move higher yesterday with technology stocks once again leading the way upwards, writes *Maggie Urry in New York*.

By mid-morning the Nasdaq index, which contains a heavy proportion of technology companies, had regained the losses it sustained on Monday and Tuesday this week.

At 1 pm the Nasdaq index was up 10.01 at 1,011.58 having been up to 1,013.93.

The Dow Jones Industrial Average had gained 10.12 at 4,745.37 and the broader Standard & Poors 500 index was up 1.78 at 581.24. The American stock exchange index was 2.91 higher at 530.45. Volume on the NYSE was 195m shares.

NYSE volume



Equities gained little support from a modestly firmer bond market, but took heart from a string of good third quarter earnings reports.

News that inflation remained subdued in September, through a report that core producer prices rose 0.2 per cent, was favourable.

Among technology stocks, Texas Instruments' advanced on its report of third quarter earnings up from 97 cents to $1.48 per share, a slightly better than expected result. Also encouraging were its remarks that demand for its DRAM semiconductors was strong, with prices stable. Its shares rose $1¼ to $74½.

Fears of weak third quarter earnings and falling chip prices have been factors undermining the technology sector earlier in the week.

Also active in the technology sector was Micron Technology, where the shares jumped $1⅞ to $69⅝ on big volume.

Other gainers included Microsoft, up $1¼ to $87⅝, IBM which was $⅝ higher at $93, Intel, up $⅝ at $63½ and Hewlett Packard up $2 at $81¾.

Another group showing strong gains was the Wall Street firms. Improving market conditions for the sector are expected to bring good third quarter results. PaineWebber announced a jump in earnings yesterday, helped by its acquisition of Kidder, Peabody at the end of 1994, and its shares gained $1⅛ to $21⅛.

Morgan Stanley, which has a November year-end and has already reported good quarterly figures, rose $2⅝ to $94¼. Merrill Lynch was up $1⅝ to $61⅝, and Salomon Brothers, due to report next week, gained $⅞ to $39⅝.

Good third-quarter results from JP Morgan lifted its shares $1⅛ to $79¼.

Ford Motor's announcement of an increase in its quarterly dividend from 31 cents to 35 cents for the fourth quarter helped its shares rise $1½ to $31⅝. The other car makers were also higher. General Motors added $1 to $46¼ and Chrysler was up $1 at $53⅞.

Canada

Toronto was higher in quiet midday trade on renewed optimism about Quebec's future in Canada.

The TSE-300 composite index rose 9.04 by noon to 4,483.63 in volume of 24.3m shares.

The market has been under recent pressure, partly due to renewed jitters over the outcome of a Quebec referendum on October 30 on whether to separate from Canada.

Gaining issues included Multi-Corp, the technology group which rose 42.5 cents to $5⅜, and Agrium, the fertiliser group, which added C$¾ to C$49.

Alcan Aluminium slipped C$⅛ to C$40⅜ on news of a third quarter loss after a charge on its Kemano completion project.

Upgrades lift Mexico

Mexico City was firmer by mid-morning after a number of US brokers upgraded their earnings estimates on several shares. The IPC index was up 35.57 or 1.5 per cent at 2,389.25 by noon. Volume was high at 49m shares, but 40m was accounted for by an agency cross in shares of Gigante, the retailer, whose B shares rose 4.7 per cent.

Shares in Kof, the bottler, put on 2.8 per cent after Bear Stearns raised its recommendation, while Telmex gained 2.4 per cent following an upgrade by Morgan Stanley.

News that US companies were to invest up to $12bn in the country had little effect on sentiment.

● São Paulo, Lima and Caracas were closed for holidays.

S Africa focus on banks

Johannesburg moved ahead in late trade on selective domestic interest in key industrials and a strong showing for banking shares. Support for golds, however, remained limited on concern about gold mine quarterly results.

The overall index was 31 better at 5,784.0, industrials picked up 45.6 at 7,302.7 and golds lost 3.9 to 1,455.8.

Banking shares rallied in afternoon trade on rumours that a major US investment house was set to acquire Anglo American's 20 per cent stake in First National Bank. However, First National maintained that there was no basis to the speculation and Anglos said that the company did not comment on market rumours. First National notched up a 125 cent or 4.7 per cent gain to R28 and Anglos added 25 cents to R213.25.

Analysts said the sector was also moving ahead on positive prospects for earnings growth. The banks are set to report results in the coming months.

EUROPE

Vienna slumps on coalition government collapse

The collapse of Austria's coalition government precipitated a 2.8 per cent fall in **VIENNA**. The coalition fractured after acrimonious budget negotiations finally broke down on Wednesday night.

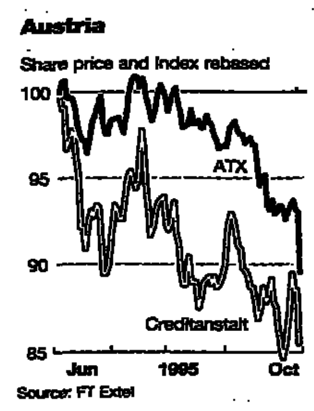
The ATX index dropped 26.72 to 936.11, just above its low for the year. Creditanstalt preference shares lost Sch40 at Sch1,425 after the finance ministry said that the privatisation of the country's second largest bank could not now go ahead.

Ms Claire Fargeot, country analyst at James Capel, maintained her view that the market was cheap on fundamentals although sentiment, for the time being, left a lot to be desired. Meanwhile, there was a bright light in the darkness as AMS, the maker of application specific integrated circuits, which trebled nine month profits, saw its shares rise Sch105 to Sch1,680.

FRANKFURT moderated its enthusiasm for chemicals as the dollar eased and trimmed some bank prices on a decline in bunds. But Wall Street's recovery supported the general market and the Dax index closed 6.17 higher at an Ibis-indicated 2,159.73.

Turnover fell from DM6bn to DM5.2bn. A number of winners, including the software producer, SAP, Schering in pharmaceuticals and Deutsche Babcock in engineering were simply recovering after recent weakness. However, there were stories to tell in the automotive sector.

Austria



Source: FT Extel

Volkswagen, DM6.05 better at DM451.85, had another good day after the September European car sales figures, which gave the company its highest ever market share of 18.1 per cent, noted Mr Stephen Reitman at UBS. MAN rose DM4.75 to DM415.75 on Tuesday's progress report for a three day gain of nearly 4 per cent.

PARIS broke above the 1,800 level as the market enjoyed a lull from recent volatility. But, despite the improvement, brokers said that the fundamental problems remained the same and that it was only a matter of time before speculators mounted another attack on the franc. The CAC-40 index rose 9.32 to 1,803.75.

Eridania Béghin-Say, the agri-foodstuffs subsidiary of the Montedison group of Italy, rose FFr36 to FFr806 after the market authorities said that it would replace Crédit Foncier de France in the CAC-40 list from November 14. The property finance company dropped FFr2.75 to FFr91.85. The steel group Usinor-Sacilor, which had been expected to enter the blue-chip index, fell to a day's low of FFr81.50 before rallying to end off 50 centimes at FFr83.70.

Suez was slightly stronger, up FFr2.90 at FFr185.90 and in line with the overall market trend, as buyers returned after Wednesday's grim warning that it had made a loss of FFr4bn in the first half of this year. James Capel said that further weakness could be expected in the share price: "The much talked about asset support is being frittered away all the time, while structural problems with its portfolio (particularly property) means that good assets are being sold off, such as Gartmore of the UK."

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Oct 12 Hourly changes	Open	11.30	12.00	12.30	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1403.62	1404.14	1404.30	1403.43	1403.59	1403.79	1404.69	1405.03
FT-SE Eurotrack 200	1511.02	1512.75	1511.49	1511.71	1512.24	1510.79	1513.47	1514.08

	Oct 11	Oct 10	Oct 9	Oct 6	Oct 5
FT-SE Eurotrack 100	1396.12	1377.54	1398.45	1401.61	1422.43
FT-SE Eurotrack 200	1508.53	1493.62	1517.79	1524.49	1541.57

Base 1000 (26/10/90) High/day: 100 - 1405.58, 200 - 1514.77 Low/day: 100 - 1402.63 200 - 1510.06 † Partial

Sovac, the banking and financial services group, was suspended at FFr364.90, after an agreed bid worth FFr610 per share from GE Capital, a division of General Electric of the US. Eurafrance and Gaz et Eaux, which have respective stakes of 50.7 and 12 per cent in Sovac, put on FFr36 and FFr44 to FFr1,685 and FFr1,869.

HELSINKI fielded a banking shares scare and poor results from the sporting goods group Amer with comparative ease, the Hex index closing 36.86, or 1.8 per cent to the good, at 2,088.85. Nokia A accounted for 54 per cent of the market's total volume and recovered another FM11 to FM284.

Criticism of Merita, the new bank merging Unitas and Kop, dropped the latter's shares by 70 penni to FM11.60, and 14 penni to FM3.96 respectively. Amer dropped FM10 to FM68 but Kemira, the chemicals group, rose 90 penni to FM35.50 on a 71 per cent gain in eight-month profits.

STOCKHOLM, too, had heavyweight support, the pharmaceutical group, Astra, and the telecoms major, Ericsson, gaining SKr6.50 to SKr257 and SKr3 to SKr149.50 as the Affärsvärlden General index rose 26.3 to 1,800.6.

The airbag maker, Autoliv, closed SKr12 higher at SKr420. Dealers said that this was a rebound following weakness after Mr Gunnar Bark, the group's chief executive, sold his stake in the company.

ZURICH remained at a high for the year on a day marked by derivative-induced volatility and the SMI index picked up 10.8 to 3,083.8.

The pharmaceutical sector drew more attention with Ciba's nine month report, revealing accelerating sales in its core healthcare and agricultural divisions, proving in line with expectations. Ciba's shares finished just SFr2 ahead at another all-time high of SFr954, off a day's peak of SFr960, and Roche certificates picked up SFr15 to SFr8,320 in further response to Wednesday's results. Sandoz, which reports next Thursday, jumped SFr13 to SFr906.

BRUSSELS fell on basket selling, the Bel-20 index closing 7.27 lower at 1,407.71.

GIB, Belgium's largest retailer, dropped BFr66, or 5.5 per cent, to BFr1,134 on disappointment about lower first-half profits and worries about a BFr5bn provision on the sale of Handy Andy, its US home improvement unit.

MILAN saw a further setback for Gemina on news that tax police had made fresh searches of the financial holding company's offices and minority shareholders considered demanding an extraordinary general meeting to have the financial situation spelled out. The shares turned back from a high of L715 to close L6.8 weaker at L696 but the Comit index continued its technical rebound, adding 5.88 to 600.29.

● Madrid was closed for Spain's National Day.

Written and edited by William Cochrane, Michael Morgan and John Pitt

ASIA PACIFIC

Late buying overcomes banking gloom to lift Nikkei

Tokyo

Pessimism over the country's banking sector depressed investor sentiment but late afternoon buying by institutions lifted the Nikkei average, which closed higher for the first time in three trading days, *writes Emiko Terazono in Tokyo*.

The 225 benchmark rose 80.21 to 17,971.40 after a low of 17,840.97 and a high of 18,051.61. High technology bargain hunting, following Wednesday's sell-off, lifted some electronics stocks, but overseas investors sold banks on rumours that Fuji Bank had incurred large losses on overseas derivative trading. Fuji later denied the market speculation.

Volume remained subdued at 280m shares against 274m. Traders said that investors had stayed on the sidelines ahead of today's September options settlements.

The Topix index of all first section stocks edged down 0.92 to 1,426.12 and the Nikkei 300 fell 0.14 to 267.10. Advances led declines by 520 to 455 with 185 unchanged.

In London, the ISE/Nikkei 50 index rose 3.71 to 1,213.16.

Analysts said that the decline in bank shares reflected investor fears of further negative news from the banking sector following the Daiwa Bank debacle. "The ministry of finance and the Bank of Japan may crack down on some of the off-balance sheet trading activities of the major Japanese banks," said Mr James Fiorillo at Baring Securities.

Fuji Bank was heavily sold, sending the stock down Y80 to Y1,860. Other city banks were also lower with Sumitomo Bank down Y20 to Y1,840 and Sanwa Bank losing Y40 to Y1,820. Daiwa, however, gained ground, rising Y20 to Y654 after falling for eight consecutive days.

Nippon Housing Loan, one of the housing loan companies facing severe financial problems due to property related bad loans, fell Y4 to Y20.

High-technology stocks rebounded. Kyocera rose Y30 to Y8,040, Fanuc Y30 to Y4,560 and Sony Y20 to Y5,100. However, profit-taking left Toshiba Y1 lower at Y713 and Mitsubishi Electric off Y3 at Y745.

Cyclicals, including paper, non-ferrous metals and steels, were bought as laggard stocks. New Oji Paper rose Y3 to Y948 and Nippon Light Metals added Y5 to Y579. Large capital steelmakers were higher, with Nippon Steel up Y1 to Y348 and Kawasaki Steel adding Y4 to Y354.

In Osaka, the OSE average fell 26.78 to 19,426.80 in volume of 28.2m shares.

Roundup

Aggressive institutional buying, fuelled by lower interest rates, drove **SEOUL** to a high for the year. The composite index picked up 5.66 to 1,016.66, in moderately active volume of 39.2m shares.

Shares in asset-rich firms continued to be highlighted. Sungchang Enterprises closed at its limit high of Won64,500, up Won3,600.

Kia Motors also closed limit high at Won19,800, up Won1,100, boosted by newspaper reports that the LG Group planned a takeover.

TAIPEI fell back for the second consecutive session on news that a manager at Tainan Spinning had given himself up to the police for allegedly having embezzled company funds.

The weighted index slipped 56.43, or 1.1 per cent, to 5,108.93, off a session low of 5,107.93. Turnover was T$32.7bn.

The textile sector led the falls, dropping by 2.3 per cent, with Tainan Spinning down by the daily permitted 7 per cent limit to T$20.40.

Financials fell by 1.7 per cent on news that the main state-run banks had reported higher-than-average overdue loan ratios: Chang Hwa lost T$3 to T$99.50, First Bank T$4 to T$98 and Hua Nan T$3 to T$92.

Electronics stabilised slightly after Wednesday's sharp correction, losing 0.5 per cent as a sector. The cement and glass sectors were the day's only gainers, with United Ceramic limit up to T$107.50.

SYDNEY was supported by the overnight gain on Wall Street, as well as an improvement in local sentiment. The All Ordinaries index added 9.8 to 2,078.40, after an intraday high of 2,081.40. Turnover was A$573.8m with volume totalling 187.8m shares. Advancing issues led declines by 402 to 349 with 1,167 steady.

Coles Myer advanced 4 cents to A$4.33, in spite of being put on negative credit watch by Standard & Poor's, the credit ratings agency. After the close, Moody's also said that it was reviewing the company's credit ratings for a possible downgrade. The ratings' reviews follows news of the company's planned management changes and reorganisation.

CRA shed 12 cents to A$19.26 in turnover of A$32.9m. Brokers said that the stock had given up early gains as selling continued following the announcement earlier in the week of its merger with RTZ.

KUALA LUMPUR halted a five day losing streak with a technical bounce that took the composite index 3.14 higher to 961.94.

Diversified Resources rose on persistent speculation that it was taking over Hicom Holdings, in spite of denials by both companies.

Diversified rose 14 cents to M$4.66 while Hicom was unchanged at M$4.80. Takeover talk also boosted Malayawata Steel which ended 40 cents up to M$5.40.

HONG KONG called a halt to its five-day losing streak, mildly encouraged by Wall Street's overnight rise. The Hang Seng index put on 50.08 to 9,665.14 in turnover that dwindled to HK$2.6bn.

Gilbert Holdings, a flax trader, surged to HK$1.27 on its debut from the issue price of HK$1.05 while another second line stock, Rhine Holdings, jumped 17 cents to HK$1.84 on placement rumours.

SINGAPORE again featured the newly-listed car inspection company Vicom, which accounting for more than 17m of the 100m shares traded. It picked up 2.5 cents to 86.5 cents after rising 24 cents on Wednesday from its issue price.

The Straits Times Industrial index rose 7.06 to 2,136.02.

MANILA staged a modest rebound following three days of losses. The composite index put on 10.98 or 0.4 per cent to 2,599.80. Volume was 2.8bn shares valued at 6.4bn pesos.

WELLINGTON saw strong interest in Fletcher Challenge and this helped lift other blue chips. The NZSE-40 capital index made 22.19 to 2,113.52.

Fletcher, up 10 cents to NZ$3.92, was encouraged after a US broker upgraded the stock overnight.

BOMBAY was driven lower by rumours, subsequently denied, that Mr P V Narasimha, the prime minister, was seriously ill and in hospital. The BSE-30 index fell 10.82 to 3,561.40.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY OCTOBER 11 1995 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY OCTOBER 10 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (82)	182.66	1.2	172.15	116.45	135.31	159.13	0.4	4.08	180.46	169.60	114.70	133.00	158.44	191.01	157.95	168.24
Austria (27)	177.79	-1.4	167.56	113.34	131.70	131.63	-0.9	1.27	180.37	169.51	114.64	132.93	132.85	199.28	167.48	182.23
Belgium (35)	190.88	-0.5	179.90	121.69	141.40	138.04	0.0	3.79	191.78	180.24	121.89	141.34	138.02	201.12	164.27	164.27
Brazil (28)	148.04	1.5	139.52	94.39	109.66	261.16	1.5	1.62	145.80	137.11	92.73	107.52	257.35	-	-	-
Canada (100)	143.55	0.2	135.30	91.52	106.34	138.91	0.0	2.68	143.30	134.68	91.08	105.61	138.87	150.83	121.81	137.68
Denmark (33)	279.90	0.2	263.79	178.44	207.34	210.38	0.6	1.54	279.20	262.39	177.46	205.77	209.21	295.99	236.61	247.81
Finland (25)	242.93	4.6	228.96	154.87	179.96	219.51	4.6	1.46	232.22	218.24	147.58	171.14	209.88	276.11	171.13	179.77
France (100)	171.36	0.7	161.50	109.24	126.94	133.58	0.7	3.28	170.23	159.99	108.20	125.46	132.70	191.17	157.79	167.85
Germany (59)	156.92	-0.3	147.90	100.04	116.25	116.25	0.2	2.06	157.39	147.92	100.04	116.00	116.00	167.74	135.39	141.48
Hong Kong (55)	375.47	-0.8	353.88	239.37	278.15	372.69	-0.8	3.90	378.35	355.58	240.48	278.85	375.53	391.00	277.40	382.56
Ireland (16)	245.51	0.7	231.39	156.52	181.88	214.86	0.8	3.53	243.81	229.14	154.96	179.69	213.13	249.46	195.34	205.27
Italy (59)	73.09	0.5	68.88	46.59	54.14	87.74	0.3	1.78	72.73	68.35	46.22	53.60	87.44	82.71	65.46	78.15
Japan (483)	143.14	-2.2	134.90	91.25	106.04	91.25	-1.9	0.83	146.41	137.60	93.06	107.91	93.05	164.82	136.95	158.51
Malaysia (108)	468.84	-1.3	441.88	298.90	347.32	458.55	-1.2	1.79	474.95	446.37	301.88	350.04	464.01	563.02	398.16	556.61
Mexico (18)	1015.45	0.6	957.04	647.37	752.23	7477.47	0.6	1.86	1009.82	949.03	641.83	744.22	7435.99	2302.03	647.81	2176.74
Netherland (19)	255.79	-0.1	241.08	163.07	189.49	186.38	0.4	3.50	256.05	240.64	162.75	188.71	185.68	263.99	207.80	212.65
New Zealand (14)	78.02	0.4	73.53	49.74	57.79	62.75	0.4	4.55	77.70	73.02	49.38	57.26	62.50	85.49	68.56	71.60
Norway (33)	228.77	0.4	215.61	145.84	169.47	194.78	0.6	2.17	227.91	214.19	144.86	167.97	193.69	243.79	192.92	197.28
Singapore (44)	373.23	0.2	351.77	237.94	276.49	244.87	0.0	1.68	372.41	350.00	236.70	274.47	244.61	414.26	313.94	386.01
South Africa (45)	359.47	0.7	338.79	229.17	266.29	266.96	0.7	4.06	357.11	335.61	226.97	263.18	264.98	363.22	281.06	316.51
Spain (38)	146.02	0.5	137.63	93.09	108.17	136.66	0.8	4.13	145.37	136.62	92.39	107.13	135.51	160.51	124.10	138.68
Sweden (48)	306.05	1.3	288.45	195.12	226.73	315.22	1.4	1.89	302.25	284.06	192.11	222.76	310.76	320.43	224.42	224.42
Switzerland (41)	217.92	0.1	205.38	138.93	161.43	156.08	0.8	1.70	217.62	204.52	138.32	160.39	154.77	219.88	158.38	184.40
Thailand (46)	167.72	0.1	158.08	106.93	124.25	163.52	0.2	2.49	167.54	157.45	106.49	123.48	163.21	-	-	-
United Kingdom (207)	221.18	0.1	208.46	141.01	163.85	208.46	0.4	4.10	220.85	207.56	140.37	162.77	207.56	227.07	187.07	197.53
USA (503)	237.40	0.4	223.74	151.35	175.86	237.40	0.4	2.48	236.52	222.28	150.33	174.31	236.52	239.87	182.33	190.08
Americas (649)	216.88	0.4	204.40	138.26	160.66	181.96	0.4	2.47	216.06	203.06	137.33	159.23	181.28	-	-	-
Europe (740)	191.92	0.2	180.88	122.35	142.17	162.31	0.6	3.11	191.44	179.92	121.68	141.09	161.39	199.02	163.04	170.02
Nordic (139)	281.69	1.5	265.46	179.58	208.67	244.93	1.7	1.79	277.42	260.73	176.33	204.46	240.82	295.02	215.79	217.75
Pacific Basin (832)	153.77	-1.9	144.93	98.04	113.92	101.61	-1.6	1.29	156.68	147.25	99.59	115.48	103.31	173.52	145.93	168.02
Euro-Pacific (1572)	169.57	-0.9	159.82	108.11	125.62	124.55	-0.6	2.15	171.07	160.77	108.73	126.06	125.32	178.33	154.73	168.74
North America (603)	231.60	0.4	218.27	147.65	171.56	230.81	0.4	2.48	230.76	216.87	146.67	170.06	229.98	233.93	178.86	186.83
Europe Ex. UK (533)	171.99	0.3	162.10	109.65	127.41	136.88	0.7	2.54	171.47	161.15	108.98	126.37	136.00	179.46	146.45	151.63
Pacific Ex. Japan (349)	254.50	-0.1	239.86	162.25	188.54	222.69	-0.3	3.30	254.83	239.49	161.97	187.81	223.36	266.72	211.19	260.24
World Ex. US (1763)	170.70	-0.8	160.88	108.82	126.45	128.14	-0.8	2.19	172.06	161.70	109.36	126.81	128.85	178.73	155.42	170.67
World Ex. UK (2059)	188.23	-0.4	177.40	120.00	139.44	154.90	-0.3	2.11	188.97	177.60	120.11	139.27	155.31	191.32	163.46	174.01
World Ex. Japan (1783)	217.96	0.3	205.42	138.95	161.46	203.32	0.4	2.79	217.31	204.23	138.12	160.16	202.52	220.98	178.95	187.41
The World Index (2266)	191.11	-0.3	180.12	121.84	141.57	158.61	-0.2	2.30	191.77	180.22	121.88	141.33	158.92	194.25	165.92	176.08

Latest prices were unavailable for this edition.